



---

# Fisher & Paykel

---

## HEALTHCARE

Overview & H1/Q2 FY03 Update  
Auckland, Wellington, Melbourne, Sydney  
12 - 15 November 2002

---

**Fisher & Paykel**  
HEALTHCARE



# Forward Looking Statements

---

This presentation may include forward-looking statements and actual results could vary. Such forward-looking statements, including statements regarding our future revenue and earnings projections and the development of new markets for our products, are subject to risks and uncertainties, which could cause actual results to differ materially from those projected or implied in the forward looking statements. For a discussion of factors that could cause actual results to vary from any forward-looking statements, please see our Annual Report on form 20-F, especially Risk Factors.



# Investment Highlights

---

- Leading player in heated humidification devices and consumables for a variety of respiratory markets
- Estimated US\$1 billion+ market opportunity
- High level of innovation
- Global presence
- Competitive NZ cost base
- Strong financial performance
- Experienced management team

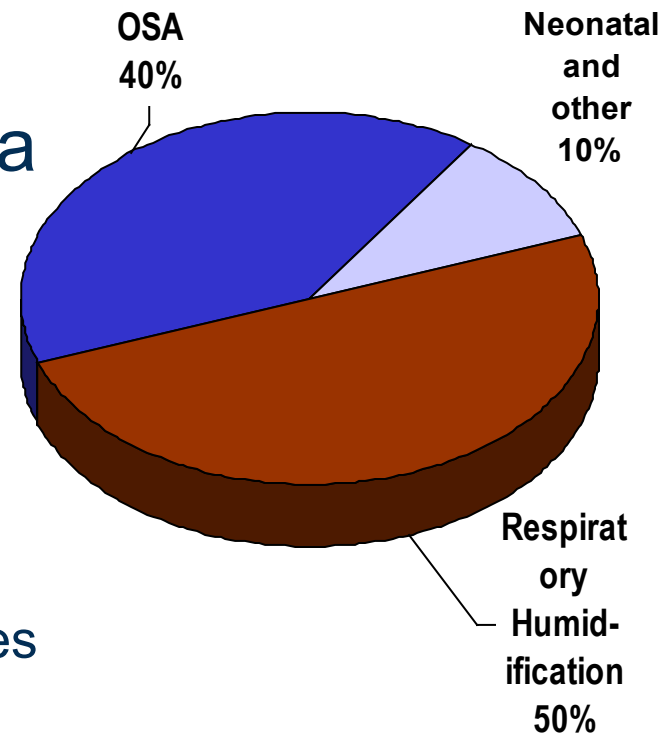
NZSE:FPH, NASDAQ:FPHC, ASX:FPH

# Markets and Products

- Respiratory humidification
- Obstructive sleep apnea
- Neonatal and other

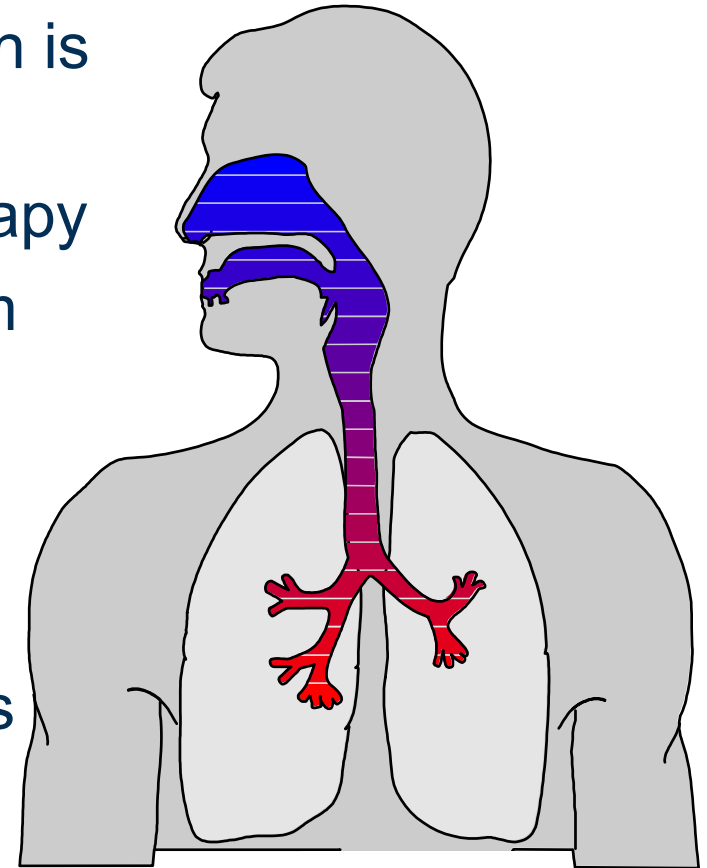
»»» Consumable products represent approx. 50% of core product sales

\* 6 months to 30 Sept 2002



# Respiratory Humidification

- Normal airway humidification is bypassed or compromised during ventilation or O<sub>2</sub> therapy
- Mucociliary transport system operates less effectively
  - increases risk of infection
  - impairs gas exchange
- Need to deliver gas at physiologically normal levels
  - 37°C body core temperature
  - 44mg/L 100% saturated





# Market Opportunity

Humidification systems are utilized to create, control and deliver optimal levels of humidity

- Estimated US\$300+ million market worldwide
  - heated humidifier controllers
  - humidifier chambers
  - breathing circuits
  - unheated humidifiers
  - oxygen therapy supplies
- » Heated humidifiers utilized as systems - creates ongoing consumables revenue stream

# Fisher & Paykel's Humidification Systems

Fisher & Paykel has a full range of industry-leading respiratory humidification systems

Products include:

## MR850 Respiratory Humidification System

- invasive ventilation, O<sub>2</sub> therapy and non-invasive ventilation
- patented flow measuring technology
- integrated system
- “set and forget” optimal humidity

## MR410 Respiratory Humidifier

- O<sub>2</sub> therapy and non-invasive ventilation
- electronic thermostat
- simple controls



**Fisher & Paykel**  
HEALTHCARE

# Single-use Components

- Single-use chambers
    - patented auto filling MR290
    - manual filling models
  - Single-use breathing circuits
    - adult and neonatal
    - patented spiral heater wire
    - less condensation
    - delivery of optimal humidity
- »»» On average, 35 system set-ups used per controller per year







# Competitive Advantage

---

- Creating, controlling and delivering optimal humidity poses technical challenges
- Integrated humidifier, chamber, circuit system provides:
  - optimal performance
  - marketing advantage
- Bundled consumable sales driven by installed controllers
  - Estimate F&P has >50% global controller market share
- High level of R&D commitment
- Extensive intellectual property



# Respiratory Humidification

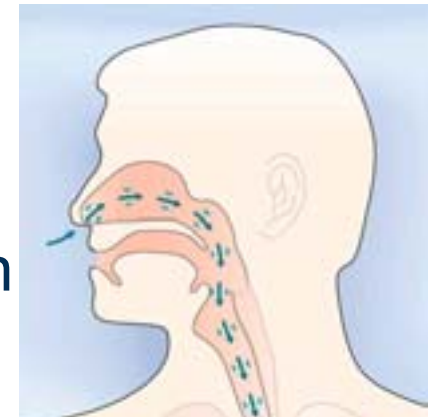
## FY03 Q2

- Revenue growth (USD) +9% on pcp
- Good growth North America and rest of world
- Improving demand from Europe and OEM customers for humidifier controllers
- Continued strong growth in breathing circuits
- Neonatal circuits launched in Australasia, Europe and Asia



# Obstructive Sleep Apnea

- Temporary closure of airway during sleep
- Can greatly impair quality of sleep, leading to fatigue; also associated with stroke and heart attack
- Estimated US\$600+ million worldwide market, growing 15%-20%
- 12 million affected by OSA in US alone
- Most common treatment is CPAP (Continuous Positive Airway Pressure)
  - key issue with CPAP is compliance
- Humidification provides significant acceptance and compliance improvements



Normal breathing



Patient with OSA

# Fisher & Paykel's CPAP Systems

Fisher & Paykel has a broad range of CPAP products, including flow generators, humidifiers and masks

Products include:

## HC150 Humidifier

- suitable for use with most OSA flow generators
- patented ambient tracking system



## HC220/HC221 Integrated Flow-Generator Humidifier

- compact, integrated unit
- patented ambient tracking system
- compliance optimizer
- proprietary motor technology



**Fisher & Paykel**  
HEALTHCARE

# Mask Systems

- Aclaim2 Nasal Mask
  - proprietary sliding attachment
  - bias flow diffuser
  - »»» less leaks, greater comfort
- Oracle™ Oral Mask
  - proprietary oral interface
  - no headgear required





# Competitive Advantage

---

- ▶▶▶ Fisher & Paykel is the pioneer of heated humidification technologies in OSA
- Leveraging heated humidification expertise into rapidly growing market
  - increased penetration of heated humidification in OSA, increased reimbursement
- Benefits of integrated flow-generator humidifier
- Recently-introduced innovative masks

# CPAP/Obstructive Sleep Apnea FY03 Q2

---

- Revenue growth (USD) +40% on pcp
- Increasing acceptance of humidification benefits
- Improved Medicare reimbursement from 1 July 02
- Price reductions less significant
- Masks increasing in importance



**Fisher & Paykel**  
HEALTHCARE

# Neonatal Warmers and CPAP

- Radiant Warmers
  - 400,000 pre-term live births per year in US
  - warmers required in delivery and NICU
  - precise and stable temperature control
- Infant CPAP System
  - proprietary bubble CPAP, non-invasive, oscillating pressure
  - lower risk alternative to ventilation





# Neonatal and Warming FY03 Q2

- Revenue growth (USD) +7% on strong pcp
- Tender driven, lumpy
- Neonatal CPAP now introduced in Australasia and selected European countries





# Research & Development

---

- 120 engineers, scientists, physiologists
- Significant new product pipeline for 2003
- Competitive NZ cost base
- Integrated product teams
- Rapid prototype development
- Active clinical research program
- 29 US patents, 25 pending \*
- NZ\$3.6M funding over 4 yrs for COPD research

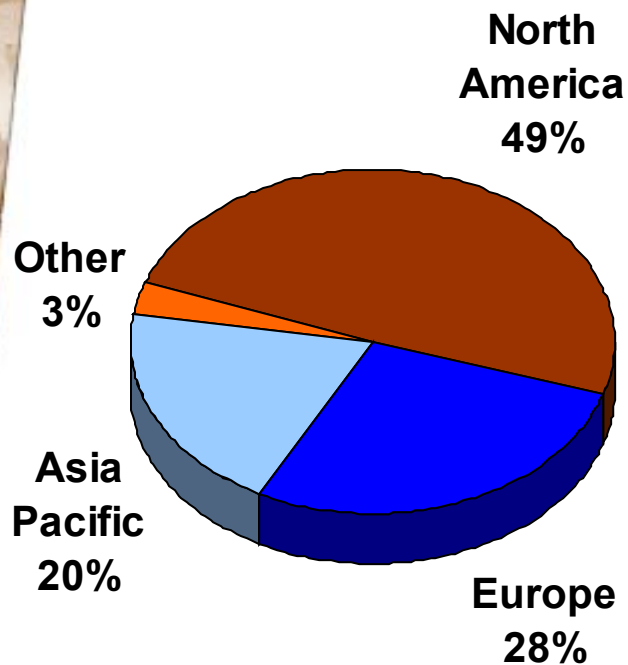
\* at 31 Mar 2002

# Manufacturing

- Vertically integrated
  - electronics assembly
  - injection moulding
  - motor assembly
- ISO 9001; Class 100,000 controlled environment
- Ample capacity to grow
  - 240,000 ft<sup>2</sup> facility
  - expansion of 62,000 ft<sup>2</sup>
  - 100 acres



# Global Presence



Revenue by Region  
6 months 30 Sep 02

- Direct
  - hospitals, alternate site, home care dealers
  - sales offices in USA/Canada, UK/Ireland, France/Benelux, Germany/Austria, Australia and NZ
- Distributors
  - 100 distributors worldwide - 90 countries
- Original Equipment Manufacturers
  - supply most leading ventilator and CPAP manufacturers

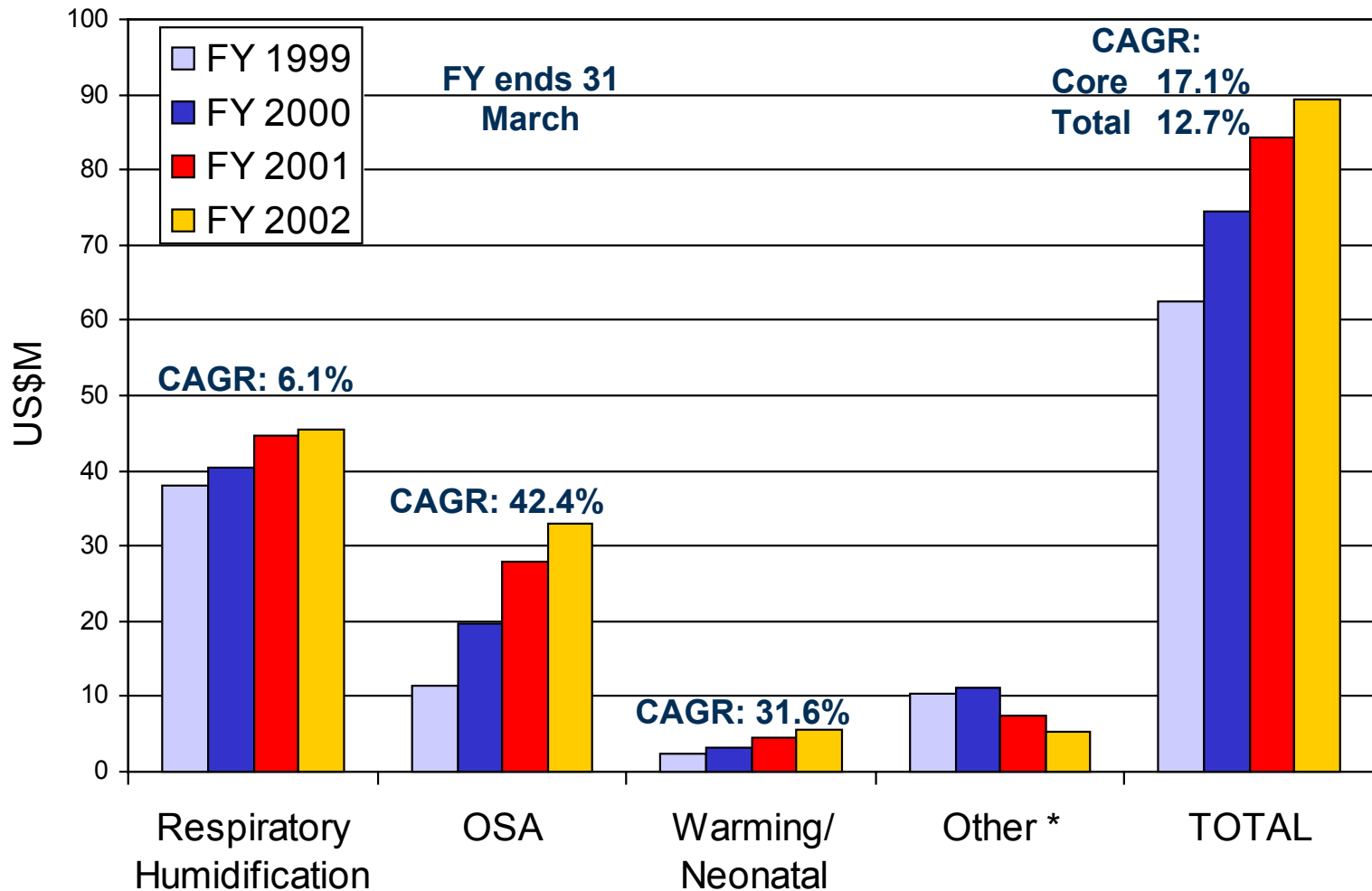


# Growth drivers

---

- Maintain high level of innovation
  - continue to improve existing product lines
  - develop complementary product offerings
- Target new medical applications
  - e.g. COPD
- Increase international presence

# Revenue Growth USD



\* Other includes distributed and discontinued products



# Operating Results US\$

FY03 Q2 (3 mths)

	<u>% Revenue</u>	<u>US\$M</u>	<u>%Δpcp</u>
Operating revenue	100%	23.7	+16%
Gross profit	67.2%	15.9	+9%
SG&A	27.2%	6.4	+8%
R&D	6.0%	1.4	+36%
Total Operating Expenses	33.2%	7.9	+12%
Operating Profit	34.0%	8.1	+6%
Profit after Tax	7.3%	1.7	-65%



# Operating Results NZ\$

FY03 Q2 (3 mths)

	<u>% Revenue</u>	<u>NZ\$M</u>	<u>%Δpcp</u>
Operating revenue	100%	50.2	+3%
Gross profit	67.2%	33.7	-3%
SG&A	27.2%	13.6	-4%
R&D	6.0%	3.0	+21%
Total Operating Expenses	33.2%	16.7	-1%
Operating Profit	34.0%	17.0	-6%
Profit after Tax	6.7%	3.4	-71%





# Operating Results US\$

FY03 H1 (6 mths)

	<u>% Revenue</u>	<u>US\$M</u>	<u>%<math>\Delta</math>pcp</u>
Operating revenue	100%	47.3	+12%
Gross profit	67.9%	32.1	+6%
SG&A	27.0%	12.8	+10%
R&D	5.6%	2.6	+28%
Total Operating Expenses	32.6%	15.4	+10%
Operating Profit	35.3%	16.7	+0%
Profit after Tax	33.4%	15.8	+37%



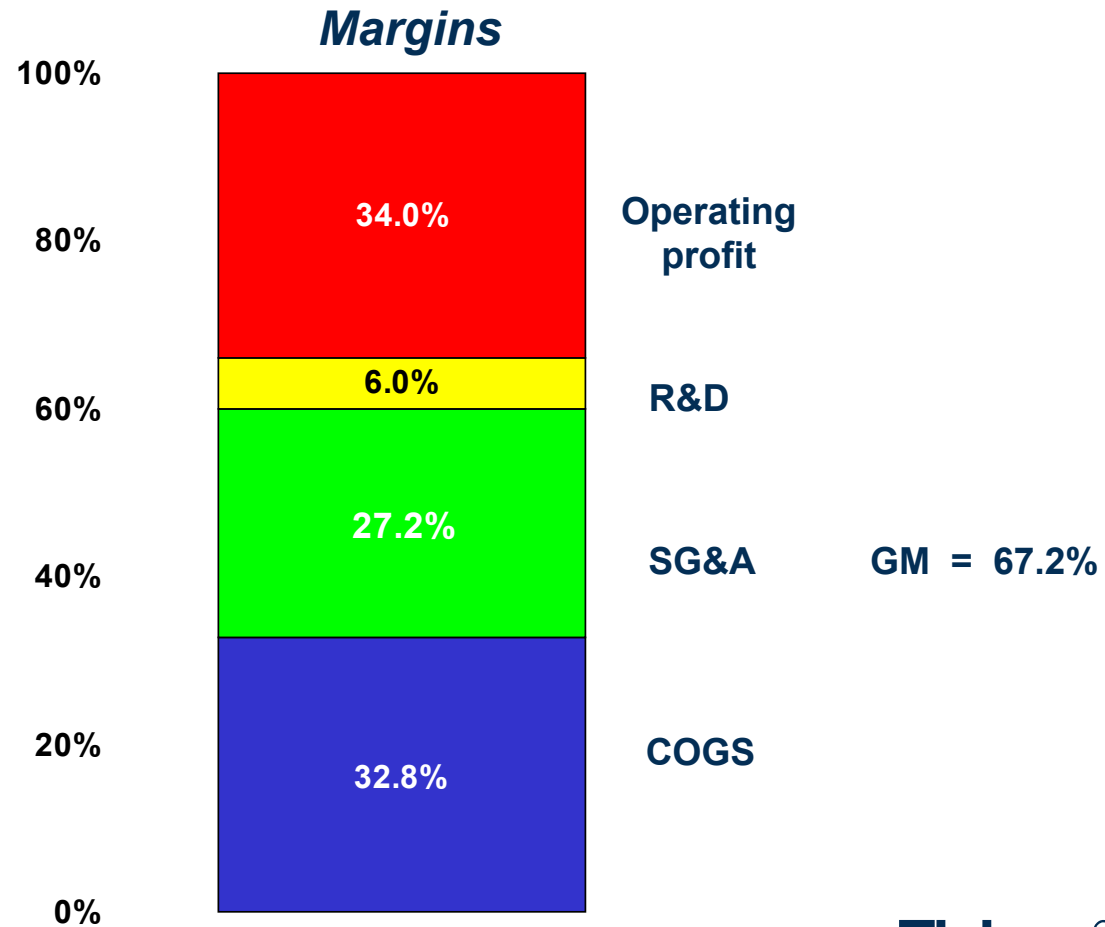
# Operating Results NZ\$

FY03 H1 (6 mths)

	<u>% Revenue</u>	<u>NZ\$M</u>	<u>%Δpcp</u>
Operating revenue	100%	101.1	0%
Gross profit	67.9%	68.6	-7%
SG&A	27.0%	27.3	-3%
R&D	5.6%	5.7	+13%
Total Operating Expenses	32.6%	33.0	0%
Operating Profit	35.3%	35.7	-12%
Profit after Tax	33.4%	33.8	+32%

# Operating Results FY03 Q2

Three months ended 30 September 02





# Balance Sheet

---

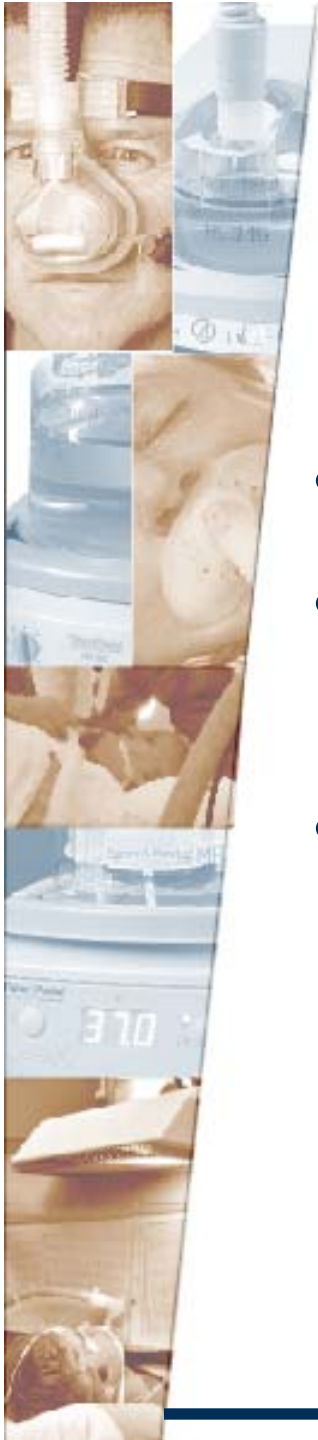
- Dividend NZ23 cps
  - NZ fully imputed
  - Other supplemental NZ4.06 cps
- Cash pre-dividend NZ\$63M
- Inventory NZ\$22.3M
- DSO 52 days



# Foreign Currency

---

- Policy: mix of options and contracts
  - 100% year 1, 75% years 2 and 3, options only up to 25% years 4 and 5.
- US\$ represents 80% of NZ export value
- Q2 portfolio (USD):
  - Year 1 100%)
  - Year 2 and 3 75%) average 0.457 NZD:USD
  - Year 4 and 5 25%)



# Guidance

---

- FY03 revenue on target for US\$100M
- Q3, Q4 operating margin approx 33% - 34%
- Expect total FY03 dividend approx NZ50cps



---

# Fisher & Paykel

---

## HEALTHCARE

**Fisher & Paykel**  
HEALTHCARE