Fisher & Paykel Healthcare

Inspired and world-leading healthcare solutions

FY2016 HALF YEAR RESULTS PRESENTATION

6 months ended 30 September 2015
First Half Result Highlights

**H1 FY2016** (6 months to 30 September 2015)

<table>
<thead>
<tr>
<th></th>
<th>NZ$M</th>
<th>△ PCP</th>
<th>△ CC&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record net profit after tax</td>
<td>62.0</td>
<td>+27%</td>
<td>+25%</td>
</tr>
<tr>
<td>Record operating revenue</td>
<td>381.0</td>
<td>+20%</td>
<td>+12%</td>
</tr>
<tr>
<td>Record RAC/Hospital revenue</td>
<td>199.6</td>
<td>+18%</td>
<td>+11%</td>
</tr>
<tr>
<td>Record OSA/Homecare revenue</td>
<td>175.3</td>
<td>+23%</td>
<td>+14%</td>
</tr>
<tr>
<td>RAC new applications revenue</td>
<td></td>
<td>+30%</td>
<td>+22%</td>
</tr>
<tr>
<td>OSA masks revenue</td>
<td></td>
<td>+35%</td>
<td>+25%</td>
</tr>
<tr>
<td>Gross margin (bps increase)</td>
<td>+276bps</td>
<td></td>
<td>+348bps</td>
</tr>
</tbody>
</table>

Recurring items, consumables and accessories approximately 83% of operating revenue (H1 FY15: 80%)

<sup>1</sup> CC = constant currency
Innovative New Products Launched

F&P Eson™ 2 nasal mask

AirSpiral tube and uninterruptible power supply (UPS) transport system for AIRVO™2

Optiflow™ + nasal high flow cannula

F&P HumiGard™ SH870 surgical humidification system
## H1 FY2016 Operating Results

### H1 FY2016 (6 months to 30 September 2015)

<table>
<thead>
<tr>
<th></th>
<th>% of Revenue</th>
<th>NZ$M</th>
<th>△PCP</th>
<th>△CC¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue</strong></td>
<td>100.0%</td>
<td>381.0</td>
<td>+20%</td>
<td>+12%</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>36.7%</td>
<td>139.8</td>
<td>+12%</td>
<td>+3%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>63.3%</td>
<td>241.2</td>
<td>+25%</td>
<td>+19%</td>
</tr>
<tr>
<td><strong>Other income (R&amp;D grant)</strong></td>
<td></td>
<td>2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>29.6%</td>
<td>112.7</td>
<td>+24%</td>
<td>+17%</td>
</tr>
<tr>
<td><strong>R&amp;D</strong></td>
<td>9.4%</td>
<td>35.8</td>
<td>+14%</td>
<td>+14%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>39.0%</td>
<td>148.5</td>
<td>+22%</td>
<td>+16%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>25.0%</td>
<td>95.2</td>
<td>+31%</td>
<td>+25%</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>16.3%</td>
<td>62.0</td>
<td>+27%</td>
<td>+25%</td>
</tr>
</tbody>
</table>

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1. CC = constant currency
Dividend and Gearing

- Increased interim dividend by 16%:
  - 6.7 cps + 2.6056 cps imputation credit for NZ residents (gross dividend of 9.3056 NZ cps)
  - Fully imputed
  - 1.1824 cps non-resident supplementary dividend
  - Dividend reinvestment plan available for New Zealand and Australian residents, no discount will apply

- Gearing ratio* target of +5% to -5% debt to debt plus equity
  - Gearing ratio at 30 September 2015 was 17%

* Calculated using net interest bearing liabilities to total equity excluding unrealised financial instrument gains or losses
### Respiratory & Acute Care / Hospital (RAC)

<table>
<thead>
<tr>
<th>Operating revenue growth</th>
<th>H1 FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ$</td>
<td>+18%</td>
</tr>
<tr>
<td>Constant currency</td>
<td>+11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New applications consumables revenue growth</th>
<th>H1 FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Noninvasive ventilation (NIV), Optiflow, AIRVO, Surgical)</td>
<td></td>
</tr>
<tr>
<td>NZ$</td>
<td>+30%</td>
</tr>
<tr>
<td>Constant currency</td>
<td>+22%</td>
</tr>
</tbody>
</table>

- New applications consumables now make up 48% of RAC consumables revenue, up from 45% in H1 FY2015

**Further positive clinical trial results:**
- Optiflow resulted in a similar rate of reintubation as NIV (Hernandez et al 2015)
- Use of HumiGard during colorectal surgery can reduce surgical site infections (Noor et al 2015)
Obstructive Sleep Apnea / Homecare (OSA)

<table>
<thead>
<tr>
<th>Operating revenue growth</th>
<th>H1 FY2016</th>
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<tbody>
<tr>
<td>NZ$</td>
<td>+23%</td>
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<tr>
<td>Constant currency</td>
<td>+14%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mask revenue growth</th>
<th>H1 FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant currency</td>
<td>+25%</td>
</tr>
</tbody>
</table>

- Masks continue to take market share
## Cash Flow & Balance Sheet

### 1H FY2016 (for the 6 months ended 30 September 2015) NZ$M

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow (-37%)</td>
<td>35.2</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>36.2</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>16.9</td>
</tr>
</tbody>
</table>

### 1H FY2016 (as at 30 September 2015) NZ$M

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>97.4</td>
</tr>
<tr>
<td>Total shareholders equity</td>
<td>447.8</td>
</tr>
<tr>
<td>Total assets</td>
<td>735.2</td>
</tr>
</tbody>
</table>

### Financial Ratios

- Pre-tax return on equity (annualised): 37%
- Pre-tax return on total assets (annualised): 24%
- Gearing (debt/debt to equity): 17%
Foreign Exchange Effects

51% of operating revenue in USD (1H FY15: 47%) and 21% in €.

<table>
<thead>
<tr>
<th>Hedging position for our main exposures</th>
<th>Six months to 31 March</th>
<th>Year to 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD % cover of expected exposure</td>
<td>2016       2017  2018  2019  2020  2021</td>
<td></td>
</tr>
<tr>
<td>USD % cover of expected exposure</td>
<td>93%        66%    33%    23%    21%    12%</td>
<td></td>
</tr>
<tr>
<td>USD average rate of cover</td>
<td>0.719      0.693  0.662  0.643  0.626  0.615</td>
<td></td>
</tr>
<tr>
<td>EUR % cover of expected exposure</td>
<td>2016       2017  2018  2019  2020  2021</td>
<td></td>
</tr>
<tr>
<td>EUR % cover of expected exposure</td>
<td>94%        60%    22%    0%     0%     0%</td>
<td></td>
</tr>
<tr>
<td>EUR average rate of cover</td>
<td>0.579      0.577  0.585  -      -      -</td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation of Constant Currency to Actual Income Statements (Unaudited)

<table>
<thead>
<tr>
<th>Reconciliation of Constant Currency to Actual Income Statements</th>
<th>2013 NZ$000</th>
<th>2014 NZ$000</th>
<th>2015 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax (constant currency)</td>
<td>31,422</td>
<td>53,822</td>
<td>68,047</td>
</tr>
<tr>
<td>Spot exchange rate effect</td>
<td>(260)</td>
<td>(8,404)</td>
<td>15,332</td>
</tr>
<tr>
<td>Foreign exchange hedging result</td>
<td>31,084</td>
<td>18,046</td>
<td>(7,124)</td>
</tr>
<tr>
<td>Balance sheet revaluation</td>
<td>347</td>
<td>3,444</td>
<td>8,324</td>
</tr>
<tr>
<td>Profit before tax (as reported)</td>
<td>62,593</td>
<td>66,908</td>
<td>84,579</td>
</tr>
</tbody>
</table>
Outlook FY2016

- Expect at exchange rates of NZD:USD 0.66, NZD:EUR 0.62
  - Operating revenue – approximately NZ$800 million
  - Net profit after tax – approximately NZ$135 – NZ$140 million
Investment Highlights

- A leader in respiratory and OSA treatment devices
- Consistent growth strategy
- Estimated US$5.0+ billion and growing market opportunity
- High level of innovation
- Global presence
- Strong financial performance NZSX:FPH, ASX:FPH
Market Opportunity and Patient Groups

RESPIRATORY & ACUTE CARE / HOSPITAL
- Invasive Ventilation
- Noninvasive Ventilation
- Hospital Respiratory Support
- Surgical Humidification

OBSTRUCTIVE SLEEP APNEA / HOMECARE
- Home Respiratory Support
- CPAP Therapy

“NEW APPLICATIONS”
Applications outside of invasive ventilation
Markets & Products

- **Respiratory & Acute Care / Hospital (RAC)**
  - Heated humidification
  - Respiratory care
  - Neonatal care
  - Surgery

- **Obstructive Sleep Apnea / Homecare (OSA)**
  - Masks
  - Flow generators
  - Data management tools
  - Humidifiers

Recurring items, consumables and accessories approximately 83% of operating revenue (H1 FY15: 80%)
Hospital Cost Breakdown

94% Other – includes labour, utilities, drugs, supplies, food, depreciation.

6% Medical devices

Source: Estimates of Medical Device Spending in the United States, Donahoe, G and King, G, June 2014
Lower Care Intensity = Lower Cost

Mean Annual COPD-Related Medical, Pharmacy, and Total Costs by Care Intensity Cohort

Mean Cost (2008 US$)

50,000

40,000

30,000

20,000

10,000

0

Outpatient cohort

Urgent outpatient cohort

ED cohort

Standard admission cohort

ICU cohort

Respiratory & Acute Care / Hospital (RAC)

Invasive Ventilation

Noninvasive Ventilation

Hospital Respiratory Support

Surgical Humidification

“NEW APPLICATIONS”
Applications outside of invasive ventilation
Respiratory Humidification

- Normal airway humidification is bypassed or compromised during ventilation or oxygen therapy
- Mucociliary transport system operates less effectively
- Need to deliver gas at physiologically normal levels
  - 37°C body core temperature
  - 44mg/L 100% saturated
850 respiratory humidifier system
- Invasive ventilation, oxygen therapy and non-invasive ventilation

810 respiratory humidifier system
- Entry level system
- Ventilation and oxygen therapy
- Optional heated breathing circuit

AIRVO 2 flow generator/humidifier
- Optiflow oxygen therapy
- Humidity therapy

HumiGard surgical humidifier
- Laparoscopic insufflation
- Open surgery
Respiratory & Acute Care - Single Use Consumables

- Single-use chambers
  - Patented auto filling MR290

- Single-use breathing circuits
  - Patented spiral heater wire
  - Proprietary Evaqua 2 expiratory tube
  - Minimal condensation
  - Delivery of optimal humidity

- Breathing circuit components
  - Filters, catheter mount, weaning kit

- Interfaces
  - NIV masks, tracheostomy, Optiflow nasal cannula

- Approx 30 system set-ups used per controller per year

- Consumable growth driving revenue growth
Obstructive Sleep Apnea / Homecare (OSA)

Home Respiratory Support

CPAP Therapy
Obstructive Sleep Apnea

- Temporary closure of airway during sleep
- Can greatly impair quality of sleep, leading to fatigue; also associated with hypertension, stroke and heart attack
- Estimated US$3+ billion worldwide market, growing approximately 6 - 8%
- Estimate >50 million people affected in developed countries
- Most common treatment is CPAP (Continuous Positive Airway Pressure)
  - Key issue with CPAP is compliance
  - Humidification provides significant acceptance and compliance improvements
Revolutionary Masks

- Market leading mask technology
- Unique, patented designs
- Mask Matters Most
  - Masks are key to compliance
Stylish, Smart + Simplified CPAP Range

- Efficiently integrates with InfoUSB and InfoSmart Web
- Responsive pressure relief - SensAwake
- ThermoSmart humidifier breathing tube technology
- Auto-adjusting CPAP
Efficient Compliance Reporting
Research & Development

- 9.4% of operating revenue, NZ$35.8M\(^1\)
- Product pipeline includes:
  - Humidifier controllers
  - Masks
  - Respiratory consumables
  - Flow generators
  - Compliance monitoring solutions
- 125 US patents, 314 US pending, 513 ROW, 471 ROW pending\(^1\)

\(^1\) at 30 September 2015
Manufacturing & Operations

- Vertically integrated
  - COGs improvements; Mexico, Lean manufacturing, supply chain

- Ample capacity to grow

Auckland, New Zealand
  - Three buildings: 82,000 m² / 885,000 ft² total
  - 100 acres/40ha land

Tijuana, Mexico
  - 18,000 m² / 200,000 ft²
  - Manufacturing floor area increased by 66%
  - Consumables capacity ramping up
Global Presence

- **Direct/offices**
  - Hospitals, home care dealers
  - Sales/support offices in North America, Europe, Asia, South America, Middle East and Australasia, 15 distribution centres
  - More than 600 staff in 30 countries
  - Ongoing international expansion

- **Distributors**
  - 100+ distributors worldwide

- **Original Equipment Manufacturers**
  - Supply most leading ventilator manufacturers
  - More than 120 countries in total

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**Revenue by Region**

6 months to 30 September 2015

- **North America**: 46%
- **Europe**: 30%
- **Asia Pacific**: 19%
- **Other**: 5%
Consistent Growth Strategy

- Improving care and outcomes
- Reducing cost to the healthcare system

**Increase**
- Effectiveness of care
- Efficiency of care

**Reduce**
- Intensity of care
- Healthcare system cost

**Four key pillars:**
- Continuous product improvement
- More devices for each patient
- Serve more patient groups
- Increase international presence