H1 FY2019 Business Highlights

+ WELCOMED
first major clinical study into the use of Optiflow nasal high flow therapy in the home

+ INCLUDED
in the Dow Jones Sustainability Asia Pacific Index and the Dow Jones Sustainability Australia Index

+ AWARDED
two Gold Pins at the New Zealand Design Awards for our F&P InfoSmart web application and F&P SleepStyle patient application

+ LAUNCHED
the F&P 950 neonatal heated humidification system into New Zealand and Australia

+ ANNOUNCED
the appointment of Lyndal York as Chief Financial Officer and Neville Mitchell as a new non-executive director

+ PROGRESSED
with construction of our two building projects in New Zealand and Mexico
## First Half Financial Highlights

### H1 FY2019 (6 months to 30 September 2018)

<table>
<thead>
<tr>
<th></th>
<th>NZ$M</th>
<th>△PCP</th>
<th>△CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record operating revenue</td>
<td>511.3</td>
<td>+12%</td>
<td>+8%</td>
</tr>
<tr>
<td>Record Hospital operating revenue</td>
<td>297.3</td>
<td>+13%</td>
<td>+11%</td>
</tr>
<tr>
<td>Record Homecare operating revenue</td>
<td>211.1</td>
<td>+10%</td>
<td>+6%</td>
</tr>
<tr>
<td>Hospital new applications consumables revenue</td>
<td></td>
<td>+24%</td>
<td>+22%</td>
</tr>
<tr>
<td>OSA masks revenue</td>
<td></td>
<td>+6%</td>
<td>+2%</td>
</tr>
<tr>
<td>Gross margin (basis points increase)</td>
<td></td>
<td>+77bps</td>
<td>+22bps</td>
</tr>
<tr>
<td>Record net profit after tax</td>
<td>97.4</td>
<td>+20%</td>
<td>+14%</td>
</tr>
</tbody>
</table>

Recurring items, consumables and accessories approximately 86% of operating revenue (H1 FY18: 87%)

* PCP = prior comparable period  
* CC = constant currency
Hospital Product Group

H1 FY2019

58% OF OPERATING REVENUE

H1 FY2019

HOSPITAL OPERATING REVENUE
NZ$

↑13%

CONSTANT CURRENCY

↑11%

NEW APPLICATIONS* CONSUMABLES REVENUE
NZ$

↑24%

CONSTANT CURRENCY

↑22%

Respiratory humidification and support

• New applications consumables* made up 60% of H1 FY2019 Hospital consumables revenue, 55% in H1 FY2018

• Strong customer demand for our Optiflow and AIRVO systems, driven by clinical trial results

• F&P 950 to be released in Europe mid-2019, followed by US and Canada

Surgical technologies

• New applications = Noninvasive ventilation (NIV), Optiflow®, AIRVO™, Surgical
# Homecare Product Group

## H1 FY2019

### 41% of Operating Revenue

**Homecare Operating Revenue (NZ$)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenue Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant Currency</td>
<td>↑6%</td>
</tr>
<tr>
<td>Masks Revenue</td>
<td>↑6%</td>
</tr>
<tr>
<td>Constant Currency</td>
<td>↑2%</td>
</tr>
</tbody>
</table>

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**CPAP therapy / Obstructive Sleep Apnea (OSA)**

- F&P Simplus
- F&P Eson 2
- F&P Brevida
- F&P SleepStyle

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**Home respiratory support**

- F&P myAIRVO 2
- F&P 810 System
- F&P Optiflow+
# First Half Operating Results

H1 FY2019 (6 months to 30 September 2018)

<table>
<thead>
<tr>
<th></th>
<th>% of Revenue</th>
<th>NZ$M</th>
<th>△PCP^</th>
<th>△CC*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue</strong></td>
<td>100%</td>
<td>511.3</td>
<td>+12%</td>
<td>+8%</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>33.2%</td>
<td>169.7</td>
<td>+9%</td>
<td>+8%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>66.8%</td>
<td>341.6</td>
<td>+13%</td>
<td>+9%</td>
</tr>
<tr>
<td><strong>Other income (R&amp;D grant)</strong></td>
<td></td>
<td>2.5</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>31.2%</td>
<td>159.4</td>
<td>+11%</td>
<td>+8%</td>
</tr>
<tr>
<td><strong>R&amp;D</strong></td>
<td>8.9%</td>
<td>45.7</td>
<td>-3%</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td></td>
<td>205.1</td>
<td>+8%</td>
<td>+5%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>27.2%</td>
<td>139.0</td>
<td>+21%</td>
<td>+14%</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>19.0%</td>
<td>97.4</td>
<td>+20%</td>
<td>+14%</td>
</tr>
</tbody>
</table>
Gross Margin Improvements

- Gross margin for the first half:
  - increased by 77 bps to 66.8%
  - increased by 22 bps in constant currency
- Primarily driven by favourable product mix
- Offset by OSA price declines

Note: the long term gross margin target is based on an assumption of a continuation of the current business environment.
Operating Margin

Research & Development expenses
- NZ$45.7M
- -3% (-3% cc) compared to 1H FY18
- Higher one-off costs in the prior half relating to product introductions and patent renewal fees
- Underlying rate of R&D increasing

Selling, General & Administrative expenses
- NZ$159.4M
- +11% (+8% cc) compared to 1H FY18
- Continuing expansion of sales teams and promotional activities
- Patent litigation expenses: $7.7M

Note: the long term operating margin target is based on an assumption of a continuation of the current business environment.
## Cash Flow and Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1 FY2019</strong> (for the 6 months ended 30 September 2018)</td>
<td></td>
</tr>
<tr>
<td>Operating cash flow (+14%)</td>
<td>93.4</td>
</tr>
<tr>
<td>Capital expenditure (including purchases of intangible assets)</td>
<td>61.1</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>20.9</td>
</tr>
<tr>
<td><strong>H1 FY2019</strong> (as at 30 September 2018)</td>
<td>NZ$M</td>
</tr>
<tr>
<td>Net cash</td>
<td>14.8</td>
</tr>
<tr>
<td>Total equity</td>
<td>776.7</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,044.0</td>
</tr>
<tr>
<td>Gearing (debt/debt + equity)</td>
<td>-2.0%</td>
</tr>
</tbody>
</table>
Gearing and Dividend

• Target gearing ratio* of +5% to -5% debt to debt plus equity
  - Gearing ratio at 30 September 2018 was -2.0%
• Increased interim dividend by 11%:
  - 9.75 cps + 3.792 cps imputation credit for NZ residents (gross dividend of NZ $13.542 cps)
  - Fully imputed
  - 1.721 cps non-resident supplementary dividend
  - Dividend reinvestment plan available for New Zealand and Australian residents. No discount will apply.

* Calculated using net interest bearing debt (debt less cash and cash equivalents) to net interest-bearing debt and equity (less hedge reserve).
Foreign Exchange Effects

- 50% of operating revenue in USD (FY18: 51%) and 19% in €.

<table>
<thead>
<tr>
<th>Hedging position for our main exposures</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD % cover of expected exposure</td>
<td>95%</td>
<td>75%</td>
<td>50%</td>
<td>10%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>USD average rate of cover</td>
<td>0.681</td>
<td>0.668</td>
<td>0.654</td>
<td>0.660</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EUR % cover of expected exposure</td>
<td>95%</td>
<td>70%</td>
<td>50%</td>
<td>40%</td>
<td>35%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>EUR average rate of cover</td>
<td>0.604</td>
<td>0.572</td>
<td>0.542</td>
<td>0.522</td>
<td>0.509</td>
<td>0.500</td>
<td>0.471</td>
</tr>
</tbody>
</table>

Hedging cover percentages have been rounded to the nearest 5%

<table>
<thead>
<tr>
<th>Reconciliation of Constant Currency to Actual Income Statements</th>
<th>2016 NZ$M</th>
<th>2017 NZ$M</th>
<th>2018 NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax (constant currency)</td>
<td>106.9</td>
<td>109.1</td>
<td>126.1</td>
</tr>
<tr>
<td>Spot exchange rate effect</td>
<td>(0.6)</td>
<td>(5.5)</td>
<td>6.6</td>
</tr>
<tr>
<td>Foreign exchange hedging result</td>
<td>9.7</td>
<td>10.4</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Balance sheet revaluation</td>
<td>(4.8)</td>
<td>0.1</td>
<td>5.3</td>
</tr>
<tr>
<td>Profit before tax (as reported)</td>
<td>111.2</td>
<td>114.1</td>
<td>135.9</td>
</tr>
</tbody>
</table>
Profit & Loss by Currency

1H FY2019 (for the 6 months ended 30 September 2018)

REVENUE BY CURRENCY

COST OF SALES BY CURRENCY

OPERATING EXPENSES BY CURRENCY

NZD  ▪  USD  ▪  EUR  ▪  MXN  ▪  Other

NZD  ▪  USD  ▪  EUR  ▪  MXN  ▪  Other

NZD  ▪  USD  ▪  EUR  ▪  MXN  ▪  Other

Fisher & Paykel
HEALTHCARE

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Outlook FY2019

Expect at current exchange rates (of NZD:USD 0.67, NZD:EUR 0.60):

• Operating revenue – NZ$1.07 billion
• Net profit after tax – in the range of approximately NZ$205 to NZ$210 million

Capital expenditure for FY19 expected to be approximately NZ$160 million

• New facilities in New Zealand and Mexico
• Increased manufacturing capacity and new product tooling
Fisher & Paykel Healthcare at a Glance

Global leader in respiratory humidification devices

- Medical device manufacturer with leading positions in respiratory care and obstructive sleep apnea
- 45+ years’ experience in changing clinical practice to solutions that provide better clinical outcomes and improve effectiveness of care
- Estimated US$6+ billion and growing market opportunity driven by demographics
- Significant organic long-term growth opportunities in respiratory care, OSA, COPD and surgery
- Large proportion (86%) of revenue from recurring items, consumables and accessories
- High level of innovation and investment in R&D with strong product pipeline
- High barriers to entry

Global presence

- 294 of our people in Europe
- 37 Our people are located in 37 countries
- 308 of our people in the rest of the world
- 1,314 of our people in North America
- 2,258 of our people in New Zealand

Strong financial performance

- Continued target, and history of, doubling our revenue (in constant currency terms) every 5 to 6 years
- Targeting gross margin of 65% and operating margin of 30%
- Growth company with targeted dividend pay-out ratio of approximately 70% of net profit after tax

Consistent growth strategy
~US$6+ Billion and Growing Market Opportunity

HOSPITAL

- Invasive Ventilation
- Hospital Respiratory Support
- Non-invasive Ventilation
- Surgical Humidification

HOME CARE

- Home Respiratory Support
- CPAP Therapy

“NEW APPLICATIONS”
Applications outside of invasive ventilation
Our Aspiration

**OUR ASPIRATION:**
Sustainably DOUBLING our constant currency revenue every 5-6 years.
Markets & Products

• Hospital
  - Heated humidification
  - Respiratory care
  - Neonatal care
  - Surgery

• Homecare
  - Masks
  - Flow generators
  - Data management tools
  - Respiratory care in the home

Recurring items, consumables and accessories approximately 86% of operating revenue (1HFY18: 87%)
Impact of Changing Demographics

• Population age and weight both increasing
  - US population 65 years+ to grow ~80% over next 20 years\(^1\)
  - US males 60 - 74 years, average weight increased 0.4 kg/year since 1960\(^2\)
• 60% of US healthcare cost is after age 65 years\(^3\)
• Developing markets increasing healthcare spending
  - China healthcare expenditure projected to grow at 12% per year between 2014-2018\(^4\)
Hospital Cost Breakdown

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

Medical devices

6%

94%
Lower Care Intensity = Lower Cost

Hospital
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
Optiflow - Displacing Conventional Oxygen Therapy

CONVENTIONAL OXYGEN THERAPY

- LOW FLOW NASAL PRONGS
- SIMPLE FACE MASK
- REBREATHER MASK

NON-INVASIVE VENTILATION
Clinical Outcomes of Optiflow Nasal High Flow Therapy

Optiflow NHF therapy is associated with:

**ADULTS:**
- REDUCED intubation$^5$
- REDUCED re-intubation$^6, 7, 8$
- REDUCED bilevel ventilation$^7$
- REDUCED nursing workload$^7$
- INCREASED ventilator free days$^5$
- IMPROVED comfort & patient tolerance$^6$
- IMPROVED compliance$^6$
- REDUCED COPD exacerbations$^9$

**PAEDIATRICS:**
- REDUCED intubation$^{10}$
- REDUCED length of stay$^{11}$
- REDUCED respiratory distress$^{12}$

**NEONATES:**
- NON-INFERIORITY with nasal CPAP$^{13}$
- REDUCED nasal trauma$^{14, 15}$
- REDUCED respiratory distress$^{16}$
Optiflow NHF - A Growing Body of Clinical Evidence

NASAL HIGH FLOW CLINICAL PAPERS PUBLISHED ANNUALLY

Source: PubMed
Consistently Strong Growth in Hospital New Applications

- New applications consumables now make up 59% of Hospital consumables revenue, up from 50% in FY2016 and 54% in FY2017

New applications consumables: Non-invasive ventilation, Optiflow, AIRVO, Surgical

* Adjusted to exclude impact of US distribution transition in FY16 and FY17
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.
• 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
Home Respiratory Support

- Chronic obstructive pulmonary disease (COPD) is a lung disease which is commonly associated with smoking
- Emphysema and chronic bronchitis are both forms of COPD
- Chronic respiratory disease, primarily COPD, is the third leading cause of death in the US\textsuperscript{17}
- 6% of US adults have been diagnosed with COPD\textsuperscript{18} (~15 million people)
- 4-10% COPD prevalence worldwide\textsuperscript{19} (~400 million people)
High Level of Innovation and Investment in R&D

• R&D represents 9% of operating revenue: * NZ$45.7M

• Product pipeline includes:
  - Humidifier controllers
  - Masks
  - Respiratory consumables
  - Flow generators
  - Compliance monitoring solutions

• 186 US patents, 385 US pending, 870 ROW, 912 ROW pending †

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* For 6 months ended 30 September 2018
† As at 31 March 2018
Growing Patent Portfolio


Average remaining life of FPH patent portfolio (all countries): 12 years*

* As at 31 March 2018
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 / 40 hectares land
• Fourth building underway

Tijuana, Mexico
• 18,000 m² / 200,000 ft²
• Consumables capacity ramping up
• Construction of second building to be completed in FY19
• 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 950 staff in 29 countries
  - Ongoing international expansion
• Distributors
  - 100+ distributors worldwide
• Original Equipment Manufacturers
  - Supply most leading ventilator manufacturers
• Sell in more than 120 countries in total

REVENUE BY REGION
6 MONTHS TO 30 SEPTEMBER 2018
Ownership Structure and Listings

- Listed on NZX and ASX (NZX.FPH, ASX.FPH)

SHAREHOLDING STRUCTURE AS AT 30 SEPTEMBER 2018

- NZ Institutions: 59%
- Other Institutions: 14%
- Brokers & Retail: 25%
- Other: 2%

GEOGRAPHICAL OWNERSHIP AS AT 30 SEPTEMBER 2018

- New Zealand: 27%
- Australia: 37%
- North America: 23%
- UK: 4%
- Europe (ex UK): 4%
- Asia: 5%
Consistent Growth Strategy

Our inputs
- Our 4000+ people
- Over 45 years of trusted relationships
- Excellence in R&D
- Global supply networks
- Trusted brand

Our outputs
- Increased efficiency of care
- Improved care & outcomes for patients
- Increased shareholder value
- Benefits to our people
- Doubling our constant currency revenue every 5-6 years

Care by Design
Improving care & outcomes through inspired and world-leading healthcare solutions

MARKET CONTEXT
AGEING POPULATION | TECHNOLOGY ADVANCEMENT | HEALTHCARE COSTS INCREASING | OTHER EXTERNAL FACTORS
Important Notice and References

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References