Half year business highlights

+ EXPANDED
Release of the F&P 950™ heated humidification system in Europe and launched F&P Vitera™ mask in the US

+ PROGRESSED
an exciting product pipeline, with several new product launches anticipated

+ OPENED
New office in Poland, with our own dedicated sales team promoting products in hospitals

+ AWARDED
Black Pin at the DINZ Best Design Awards for our design culture and the economic impact of our products

+ DIVERTED
467 tonnes of material from landfills through recycling programmes

+ INCLUDED
in the FTSE4Good and Dow Jones Sustainability Indices for 2019
# Key half year financial results

H1 FY20 (6 months to 30 September 2019)

<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>570.9</td>
<td>+12%</td>
<td>+9%</td>
</tr>
<tr>
<td>Hospital operating revenue</td>
<td>62%</td>
<td>353.6</td>
<td>+19%</td>
<td>+17%</td>
</tr>
<tr>
<td>Homecare operating revenue</td>
<td>38%</td>
<td>214.7</td>
<td>+2%</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Gross margin / Gross profit</strong></td>
<td>67%</td>
<td>382.9</td>
<td>+26bps</td>
<td>+15bps</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>29%</td>
<td>162.9</td>
<td>+2%</td>
<td>-1%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>9%</td>
<td>54.0</td>
<td>+18%</td>
<td>+18%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>38%</td>
<td>216.9</td>
<td>+6%</td>
<td>+3%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>29%</td>
<td>166.0</td>
<td>+19%</td>
<td>+17%</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>21%</td>
<td>121.2</td>
<td>+24%</td>
<td>+23%</td>
</tr>
</tbody>
</table>

Recurring items, consumables and accessories approximately 86% of operating revenue (H1 FY19: 86%)

* PCP = prior comparable period  * CC = constant currency
Hospital product group

H1 FY20 HOSPITAL REVENUE COMPOSITION

HARDWARE

CONSUMABLES

F&P 950 System
F&P 850 System
F&P AIRVO 2
F&P HumiGard

Invasive ventilation
Non-invasive ventilation
Optiflow™ nasal high flow
Surgical

H1 FY19 Hospital revenue composition
Hardware: 12% Consumables: 88%
Hospital product group

<table>
<thead>
<tr>
<th>H1 FY20</th>
<th>OF OPERATING REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>62%</td>
<td>62%</td>
</tr>
</tbody>
</table>

HOSPITAL OPERATING REVENUE (H1 FY20 $353.6M)

<table>
<thead>
<tr>
<th>NZ$</th>
<th>↑19%</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT CURRENCY</td>
<td>↑17%</td>
</tr>
</tbody>
</table>

NEW APPLICATIONS* CONSUMABLES REVENUE

<table>
<thead>
<tr>
<th>NZ$</th>
<th>↑25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT CURRENCY</td>
<td>↑23%</td>
</tr>
</tbody>
</table>

- New applications consumables* made up 63% of H1 FY20 Hospital consumables revenue, 60% in H1 FY19
- Strong customer demand for our Optiflow and AIRVO systems, driven by clinical trial results
- Extended flu season in the United States

*New applications = Noninvasive ventilation (NIV), nasal high flow therapy, surgical
Homecare product group

H1 FY20 Homecare revenue composition

- Hardware: 16%
- Consumables: 84%

H1 FY19 Homecare revenue composition

- Hardware: 16%
- Consumables: 84%

Hardware:
- F&P SleepStyle
- F&P myAIRVO 2
- F&P 810 System

Consumables:
- CPAP Therapy/OSA
- Home Respiratory Support
- F&P Vitera
- F&P Eson2
- F&P Brevida
Homecare product group

H1 FY20

38% OF OPERATING REVENUE

HOMECARE OPERATING REVENUE (H1 FY20 $214.7M)

NZ$ 2%  

UP 1%

CONSTANT CURRENCY

MASKS REVENUE

NZ$ 1%  

UP 1%

CONSTANT CURRENCY

- Home Respiratory Support business continues to grow well
- OSA mask revenue impacted by phasing of product cycle relative to competitors
- F&P Vitera OSA mask launched in the US in October 2019
## New lease accounting standard impact (IFRS 16)

### Opening adjustment to Balance Sheet at 1 April 2019 (NZ$M)

<table>
<thead>
<tr>
<th></th>
<th>Prior to adoption</th>
<th>Impact</th>
<th>Adjusted after adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant &amp; equipment</td>
<td>601.4</td>
<td>29.1</td>
<td>630.5</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>38.9</td>
<td>1.4</td>
<td>40.3</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>-</td>
<td>33.9</td>
<td>33.9</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>549.2</td>
<td>(3.4)</td>
<td>545.8</td>
</tr>
</tbody>
</table>

### H1 FY20 impact to Income Statement (NZ$M)

<table>
<thead>
<tr>
<th></th>
<th>Prior to adoption</th>
<th>Impact</th>
<th>Adjusted after adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental and lease expenses</td>
<td>6.4</td>
<td>(5.8)</td>
<td>0.6</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>23.8</td>
<td>4.7</td>
<td>28.5</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>164.9</strong></td>
<td><strong>1.1</strong></td>
<td><strong>166.0</strong></td>
</tr>
<tr>
<td>Financing expense</td>
<td>1.0</td>
<td>0.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Tax Expense</td>
<td>38.4</td>
<td>0.1</td>
<td>38.5</td>
</tr>
<tr>
<td><strong>Net profit after tax</strong></td>
<td><strong>121.1</strong></td>
<td><strong>0.1</strong></td>
<td><strong>121.2</strong></td>
</tr>
</tbody>
</table>

### H1 FY20 impact to Statement of Cash Flows (NZ$M)

<table>
<thead>
<tr>
<th></th>
<th>Prior to adoption</th>
<th>Impact</th>
<th>Adjusted after adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>109.2</td>
<td>4.3</td>
<td>113.5</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(76.3)</td>
<td>(4.3)</td>
<td>(80.6)</td>
</tr>
</tbody>
</table>
Gross Margin

GROSS MARGIN

- Gross margin for the half year:
  - increased by 26 bps to 67.1%
  - increased by 15 bps in constant currency
- Primarily driven by favourable product mix
- Offset by costs of the new Mexico manufacturing facility

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

Operating expenses
- NZ$216.9M, +6% (+3% CC)

Research & Development expenses
- NZ$54M, +18% (+18% CC)
- Reflecting underlying growth and timing of R&D projects
- Long term plan to grow in line with constant currency revenue growth

Selling, General & Administrative expenses
- NZ$162.9M, +2% (-1% CC)
- Patent litigation expenses of NZ$7.7M were incurred in H1 FY19

Note: the long term operating margin target is based on an assumption of a continuation of the current business environment.
## Interest and Tax

<table>
<thead>
<tr>
<th>Financing Expense</th>
<th>H1 FY19 NZ$M</th>
<th>H1 FY20 NZ$M</th>
<th>Change NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>1.7</td>
<td>1.3</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Lease Interest Expense</td>
<td>-</td>
<td>(0.9)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(1.4)</td>
<td>(1.0)</td>
<td>0.4</td>
</tr>
<tr>
<td>FX loss on interest bearing liabilities</td>
<td>(3.4)</td>
<td>(5.7)</td>
<td>(2.3)</td>
</tr>
<tr>
<td><strong>Net financing income/(expense)</strong></td>
<td>(3.1)</td>
<td>(6.3)</td>
<td>(3.2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R&amp;D Tax Incentive Change</th>
<th>H1 FY19 NZ$M</th>
<th>H1 FY20 NZ$M</th>
<th>Change NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income</td>
<td>2.5</td>
<td>-</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Tax (Expense)/Credit</td>
<td>(0.7)</td>
<td>6.6</td>
<td>7.3</td>
</tr>
<tr>
<td><strong>Net profit after tax</strong></td>
<td>1.8</td>
<td>6.6</td>
<td>4.8</td>
</tr>
</tbody>
</table>

- FY19: Callaghan Innovation Growth Grant of NZ$5M per year, taxable
- FY20 onwards: R&D Tax Credit of 15% on eligible spend
## Cash Flow and Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>H1 FY19 NZ$M</th>
<th>H1 FY20 NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>93.4</td>
<td>113.5</td>
</tr>
<tr>
<td>Capital expenditure (including purchases of intangible assets)</td>
<td>61.1</td>
<td>86.6</td>
</tr>
<tr>
<td>Lease liability payments</td>
<td>-</td>
<td>4.3</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>32.3</td>
<td>22.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY2019 NZ$M</th>
<th>H1 FY20 NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash/(debt) (including short-term investments)</td>
<td>54.4</td>
<td>(5.2)</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,206.7</td>
<td>1,255.0</td>
</tr>
<tr>
<td>Total equity</td>
<td>913.2</td>
<td>918.7</td>
</tr>
</tbody>
</table>

**Gearing (debt/debt + equity)**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gearing (debt/debt + equity)*</td>
<td>-6.7%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

* Calculated using net interest bearing debt (debt less cash and cash equivalents) to net interest-bearing debt and equity (less hedge reserve).
Gearing and Dividend

• Target gearing ratio* of +5% to -5% debt to debt plus equity
  - Gearing ratio as at 30 September 2019 was 0.6%
• Increased interim dividend by 23%:
  - 12.00 cps + 4.667 cps imputation credit for NZ residents (gross dividend of NZ 16.667 cps)
  - Fully imputed
  - 2.1176 cps non-resident supplementary dividend

* 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 (FY19: 50%) and 19% in € (FY19: 19%).

<table>
<thead>
<tr>
<th>Hedging position for our main exposures</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>80%</td>
<td>50%</td>
<td>30%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>USD average rate of cover</td>
<td>0.667</td>
<td>0.657</td>
<td>0.654</td>
<td>0.642</td>
<td>0.636</td>
<td>-</td>
</tr>
<tr>
<td>EUR % cover of expected exposure</td>
<td>95%</td>
<td>70%</td>
<td>50%</td>
<td>45%</td>
<td>20%</td>
<td>5%</td>
</tr>
<tr>
<td>EUR average rate of cover</td>
<td>0.575</td>
<td>0.548</td>
<td>0.530</td>
<td>0.514</td>
<td>0.502</td>
<td>0.473</td>
</tr>
</tbody>
</table>

Hedging cover percentages have been rounded to the nearest 5%

Reconciliation of Constant Currency to Actual Income Statements

<table>
<thead>
<tr>
<th></th>
<th>H1 FY19 NZ$M</th>
<th>H1 FY20 NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax (constant currency)</td>
<td>130.1</td>
<td>151.2</td>
</tr>
<tr>
<td>Spot exchange rate effect</td>
<td>4.2</td>
<td>10.5</td>
</tr>
<tr>
<td>Foreign exchange hedging result</td>
<td>(2.1)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Balance sheet revaluation</td>
<td>3.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Profit before tax (as reported)</td>
<td>135.9</td>
<td>159.7</td>
</tr>
</tbody>
</table>
Revenue and expenses by currency

H1 FY20 (for the 6 months ended 30 September 2019)
Outlook FY2020

Expect at current exchange rates (of NZD:USD 0.64, NZD:EUR 0.58):

• Operating revenue – approximately NZ$1.19 billion
• Net profit after tax – approximately NZ$255 million to NZ$265 million

Capital expenditure expected to be approximately NZ$170 million

• New facility in New Zealand
• Increased manufacturing capacity and new product tooling

Assumptions

• Approximately 80% of R&D will be eligible for R&D Tax Credit at 15%
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
- 50 years’ experience in changing clinical practice to solutions that provide better clinical outcomes and improve effectiveness of care
- Estimated US$10+ 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
- Our people are located in 38 countries
  - 317 of our people in Europe
  - 360 of our people in the rest of the world
  - 1,555 of our people in North America
  - 2,499 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 average dividend pay-out ratio of approximately 65% over the past five years
~US$10+ billion and growing market opportunity

_HOSPITAL_

Invasive Ventilation
Non-invasive Ventilation
Hospital Respiratory Support
Surgical Humidification

_HOMECARE_

Home Respiratory Support
Obstructive Sleep Apnea

“NEW APPLICATIONS”
Applications outside of invasive ventilation
Our aspiration

Our aspiration: Sustainably DOUBLING our constant currency revenue every 5-6 years.
Markets and 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 (1H19: 86%)
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
  - Total health spending is increasing more rapidly in low and middle income countries (close to 6% on average) than in high income countries (4%)\(^4\)
Hospital cost breakdown

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

Medical devices

94%

6%
Lower care intensity = lower cost

MEAN ANNUAL COPD-RELATED MEDICAL, PHARMACY AND TOTAL COSTS BY CARE INTENSITY COHORT

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

The publication of 247 clinical papers on NHF continues to signify a high level of clinical interest in the therapy.
Consistently strong growth in hospital new applications

• New applications consumables currently make up 63% of Hospital consumables revenue, up from 59% in FY2018 and 62% in FY2019

Constant currency revenue growth rate in new applications consumables*

* 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
- Estimate >100 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
Mask matters most

- Masks are key to compliance
- Unique, patented designs
- Vitera launched in NZ, Australia, Europe and Canada in May and in the US in October
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 world\(^\text{17}\)

• 6% of US adults have been diagnosed with COPD\(^\text{18}\) (~15 million people)

• 4-10% COPD prevalence worldwide\(^\text{19}\) (~400 million people)
High level of innovation and investment in R&D

• R&D represents 9% of operating revenue:* NZ$54.0M

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

• 242 US patents, 451 US pending, 1,056 Rest of world patents, 1,154 Rest of world pending†

* For 6 months ended 30 September 2019
† As at 30 September 2019
Growing patent portfolio

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

* As at 31 March 2019
Manufacturing and operations

• Vertically integrated
• Will grow manufacturing capacity to accommodate future volume growth
  • Modest growth in NZ
  • Most growth outside NZ

Auckland, New Zealand
• Three buildings: 82,000 m² / 885,000 ft² total
• 100 acres / 40 hectares land
• Fourth building due to be completed early 2020
• Co-location of R&D and manufacturing in NZ a competitive advantage

Tijuana, Mexico
• Two buildings: 41,000 m² / 450,000 ft² total
Strong global presence

• Direct/offices
  – Hospitals, home care dealers
  – Sales/support offices in North America, Europe, Asia, South America, Middle East and Australasia, 18 distribution centres
  – ~1,000 employees in 38 countries
  – Ongoing international expansion

• Distributors
  – 100+ distributors worldwide

• Original Equipment Manufacturers
  – Supply most leading ventilator manufacturers

• Sell in more than 120 countries in total
Ownership structure and listings

- Listed on NZX and ASX (NZX.FPH, ASX.FPH)
Consistent growth strategy

Our inputs

- Our 4,500+ people
- 50 years of trusted relationships
- Excellence in R&D
- Global supply networks
- Trusted brand

Our outputs

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

Fisher & Paykel Healthcare

Consistent growth strategy

Market context

- Ageing population
- Technology advancement
- Healthcare costs increasing
- Other external factors
Important Notice and References

Disclaimer

The information in this presentation is for general purposes only and should be read in conjunction with Fisher & Paykel Healthcare Corporation Limited’s (FPH) Interim Report 2020 and accompanying market releases. Nothing in this presentation should be construed as an invitation for subscription, purchase or recommendation of securities in FPH.

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References