Care.
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 (83%) 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
- 36 employees located in 36 countries
- 258 employees in Europe
- 265 employees in the rest of the world
- 2,142 employees in North America
- 922 employees in New Zealand
- Our people are located in 36 countries

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
Competitive Advantage – 45 Years’ Experience

Significant expertise in, and history of, changing clinical practice to therapies that improve clinical outcomes, are more effective and efficient and that ultimately reduce cost to the healthcare system

- Heated humidification in invasive ventilation
- Heated humidification in CPAP therapy for OSA patients
- Optiflow™ nasal high flow therapy displacing use of conventional oxygen therapy in the hospital
- Optiflow™ nasal high flow therapy in the home for the treatment of patients with chronic respiratory conditions
- Introduction of heated humidification in open and laparoscopic surgery
~US$6+ Billion and Growing Market Opportunity

HOSPITAL / RESPIRATORY & ACUTE CARE

- Invasive Ventilation
- Noninvasive Ventilation
- Hospital Respiratory Support

HOMECARE / OBSTRUCTIVE SLEEP APNEA

- Surgical Humidification
- Home Respiratory Support
- CPAP Therapy

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

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

- Homecare / Obstructive Sleep Apnea (OSA)
  - Masks
  - Flow generators
  - Data management tools
  - Respiratory care in the home

Recurring items, consumables and accessories approximately 83% of operating revenue (H1 FY16: 83%)
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 increased 19% in 2012, expected to triple by 2020\(^4\)
Hospital Cost Breakdown

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

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

Hospital / Respiratory & Acute Care (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
Optiflow™ - Displacing Conventional Oxygen Therapy

CONVENTIONAL OXYGEN THERAPY
- Low Flow Nasal Prongs
- Simple Face Mask
- Rebreather Mask

NONINVASIVE VENTILATION
Clinical Outcomes of Optiflow™ Nasal High Flow Therapy

Optiflow 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\(^6\)

PAEDIATRICS:
- REDUCED intubation\(^9\)
- REDUCED length of stay\(^10\)
- REDUCED respiratory distress\(^11\)

NEONATES:
- NONINFERIORITY with nasal CPAP\(^12\)
- REDUCED nasal trauma\(^13, 14\)
- REDUCED respiratory distress\(^15\)
Optiflow™ - A Growing Body of Clinical Evidence

Nasal High Flow Clinical Papers
Published Annually

Source: PubMed
New applications consumables now make up 51% of Hospital/RAC consumables revenue, up from 46% in FY2015

New applications consumables: Noninvasive ventilation, Optiflow, AIRVO, Surgical
Homecare / Obstructive Sleep Apnea (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% p.a.
- 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

F&P Eson 2™ and F&P Brevida are currently available in New Zealand and Australia. They will be available in the US on receipt of US FDA clearance.
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.

6% of US adults have been diagnosed with COPD (~15 million people).

4-10% COPD prevalence worldwide (~400 million people).
High Level of Innovation and Investment in R&D

- R&D represents 9% of operating revenue:* NZ$73.3M
- Product pipeline includes:
  - Humidifier controllers
  - Masks
  - Respiratory consumables
  - Flow generators
  - Compliance monitoring solutions
- 138 US patents, 329 US pending, 559 ROW, 582 ROW pending*

* As at 31 March 2016
Average remaining life of FPH patent portfolio: 15.8 years*  
* As at 31 March 2016
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

Tijuana, Mexico

- 18,000 m² / 200,000 ft²
- Consumables capacity ramping up
Strong 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 700 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
12 months to 31 March 2016
Doubling our Constant Currency Revenue every 5-6 Years

Constant Currency Operating Revenue NZ$000

CAGR*: 13%

CAGR*: 12%

CAGR*: 15%

* Compound Annual Growth Rate (CAGR) for 10-year period. Constant currency NZD
Long Term Margin Targets

Note: the long term margin targets are based on an assumption of a continuation of the current business environment.
Ownership Structure and Listings

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

**Shareholding Structure as at 30 June 2016**

- NZ Institutions: 49%
- Other Institutions: 18%
- Brokers & Retail: 32%
- Other: 1%

**Geographical Ownership as at 30 June 2016**

- New Zealand: 47%
- Australia: 30%
- North America: 14%
- UK: 4%
- Europe (ex UK): 3%
- Asia: 2%
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
- Broadening the range of devices for each patient
- Serve more patient groups
- Increase international presence
Outlook.
Outlook FY2017

Guidance provided in May 2016
- Expect at exchange rates of NZD:USD 0.68, NZD:EUR 0.61
  - Operating revenue – approximately NZ$900 million
  - Net profit after tax – approximately NZ$165 – NZ$170 million

Guidance provided in August 2016
- Expect at exchange rates of NZD:USD 0.72, NZD:EUR 0.64
  - Operating revenue – approximately NZ$880 million
  - Net profit after tax – approximately NZ$165 million
New Building Programme

- Planning to spend ~NZ$200M over the next four to five years.
- Planning for the construction of Building 4 on our Auckland campus
  - Completion expected around the end of 2020
- Greenfields site identified in Tijuana, Mexico for new manufacturing facility
  - Facility expected to be operational in 2019
- Capital expenditure guidance of ~$90M for FY17 remains unchanged
Product.
New Products Launched in FY2017

F&P Brevida™ nasal pillows mask for CPAP therapy

F&P Nivairo™ non-invasive ventilation mask

F&P 950™ respiratory humidification system

Products currently available in New Zealand and Australia. Will be available in the US on receipt of US FDA clearance.
F&P 950 and F&P 850 respiratory humidification systems
- Invasive ventilation, nasal high flow therapy and non-invasive ventilation

810 respiratory humidification system
- Entry level system

AIRVO 2 flow generator/humidifier
- Optiflow™ nasal high flow therapy

HumiGard surgical humidifier
- Laparoscopic insufflation
- Open surgery

F&P 950 and F&P HumiGard are currently available in New Zealand and Australia. They will be available in the US on receipt of US FDA clearance.
Hospital Single Use Consumables

- Single-use chambers
  - Patented auto filling MR290

- Single-use breathing circuits
  - Patented spiral heater wire
  - Proprietary Evaqua 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

F&P Nivairo is currently available in New Zealand and Australia. It will be available in the US on receipt of US FDA clearance.
F&P 950 is currently available in New Zealand and Australia. It will be available in the US on receipt of US FDA clearance.
F&P Eson 2 and F&P Brevida are currently available in New Zealand and Australia. They will be available in the US on receipt of US FDA clearance.
Figures.
Second Half Financial Highlights

**H2 FY2016** (6 months to 31 March 2016)

<table>
<thead>
<tr>
<th></th>
<th>△ PCP^</th>
<th>△ CC*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>+22%</td>
<td>+15%</td>
</tr>
<tr>
<td>Gross margin (bps increase)</td>
<td>+290bps</td>
<td>+213bps</td>
</tr>
<tr>
<td>Net profit after tax</td>
<td>+27%</td>
<td>+15%</td>
</tr>
<tr>
<td>Hospital/RAC operating revenue</td>
<td>+26%</td>
<td>+19%</td>
</tr>
<tr>
<td>RAC new applications consumables revenue</td>
<td>+45%</td>
<td>+36%</td>
</tr>
<tr>
<td>Homecare/OSA operating revenue</td>
<td>+19%</td>
<td>+11%</td>
</tr>
<tr>
<td>OSA masks revenue</td>
<td>+27%</td>
<td>+17%</td>
</tr>
</tbody>
</table>

^ PCP = prior comparable period * CC = constant currency
### Full Year Financial Highlights

**FY2016 (12 months to 31 March 2016)**

<table>
<thead>
<tr>
<th></th>
<th>NZ$M</th>
<th>Δ PCP^</th>
<th>Δ CC*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record operating revenue</td>
<td>815.5</td>
<td>+21%</td>
<td>+14%</td>
</tr>
<tr>
<td>Gross margin (bps increase)</td>
<td></td>
<td>+284bps</td>
<td>+278bps</td>
</tr>
<tr>
<td>Record net profit after tax</td>
<td>143.4</td>
<td>+27%</td>
<td>+19%</td>
</tr>
<tr>
<td>Record Hospital/RAC revenue</td>
<td>436.3</td>
<td>+22%</td>
<td>+15%</td>
</tr>
<tr>
<td>RAC new applications revenue</td>
<td></td>
<td>+37%</td>
<td>+30%</td>
</tr>
<tr>
<td>Record Homecare/OSA revenue</td>
<td>365.8</td>
<td>+21%</td>
<td>+12%</td>
</tr>
<tr>
<td>OSA masks revenue</td>
<td></td>
<td>+31%</td>
<td>+21%</td>
</tr>
</tbody>
</table>

**Recurring items, consumables and accessories approximately 83% of operating revenue (H1 FY16: 83%)**

^ PCP = prior comparable period  * CC = constant currency
Hospital / Respiratory & Acute Care (RAC)

<table>
<thead>
<tr>
<th>Operating revenue growth</th>
<th>H2 FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ$</td>
<td>+26%</td>
</tr>
<tr>
<td>Constant currency</td>
<td>+19%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New applications consumables revenue growth</th>
<th>H2 FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Noninvasive ventilation (NIV), Optiflow™, AIRVO, Surgical)</td>
<td></td>
</tr>
<tr>
<td>NZ$</td>
<td>+45%</td>
</tr>
<tr>
<td>Constant currency</td>
<td>+36%</td>
</tr>
</tbody>
</table>

- New applications consumables now make up 51% of RAC consumables revenue, up from 46% in FY2015
- Strong customer demand for our Optiflow™ and AIRVO™ systems

Further positive clinical trial results:
- Use of Optiflow™ nasal high flow therapy reduced the risk of escalation for extubated patients within 72 hours, when compared with conventional oxygen therapy (Hernandez et al 2015)
## Homecare / Obstructive Sleep Apnea (OSA)

<table>
<thead>
<tr>
<th>Operating revenue growth</th>
<th>H2 FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ$</td>
<td>+19%</td>
</tr>
<tr>
<td>Constant currency</td>
<td>+11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mask revenue growth</th>
<th>H2 FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant currency</td>
<td>+17%</td>
</tr>
</tbody>
</table>

- Masks continue to take market share

F&P Eson 2 is currently available in New Zealand and Australia. It will be available in the US on receipt of US FDA clearance.
Dividend and Gearing

- Increased final dividend by 25%:
  - 10.0 cps + 3.8889 cps imputation credit for NZ residents (gross dividend of NZ 13.8889 cps)
  - Fully imputed
  - 1.7647 cps non-resident supplementary dividend
  - Dividend reinvestment plan available for New Zealand and Australian residents, no discount will apply

- Gross dividend 23.1945 cps, yield ~2.3%

- Target gearing ratio* of +5% to -5% debt to debt plus equity
  - Gearing ratio at 31 March 2016 was 7.7%

* Calculated using net interest bearing debt (debt less cash and cash equivalents) to net interest-bearing debt and equity (less cash flow hedge reserve – unrealised). Ratios calculated each year as at 31 March.
## Full Year Operating Results

### FY2016 (12 months to 31 March 2016)

<table>
<thead>
<tr>
<th></th>
<th>% of Revenue</th>
<th>NZ$M</th>
<th>△PCP[^]</th>
<th>△CC[^]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>100%</td>
<td>815.5</td>
<td>+21%</td>
<td>+14%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>36.0%</td>
<td>293.8</td>
<td>+12%</td>
<td>+6%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>64.0%</td>
<td>521.6</td>
<td>+27%</td>
<td>+19%</td>
</tr>
<tr>
<td>Other income (R&amp;D grant)</td>
<td></td>
<td>5.0</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>29.7%</td>
<td>242.3</td>
<td>+34%</td>
<td>+23%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>9.0%</td>
<td>73.3</td>
<td>+13%</td>
<td>+13%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>38.7%</td>
<td>315.6</td>
<td>+28%</td>
<td>+20%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>25.9%</td>
<td>211.1</td>
<td>+24%</td>
<td>+16%</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>17.6%</td>
<td>143.4</td>
<td>+27%</td>
<td>+19%</td>
</tr>
</tbody>
</table>

[^] PCP = prior comparable period * CC = constant currency
### Cash Flow & Balance Sheet

**FY2016** (for the 12 months ended 31 March 2016)  

<table>
<thead>
<tr>
<th>Description</th>
<th>NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow (-2%)</td>
<td>144.6</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>65.7</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>35.2</td>
</tr>
</tbody>
</table>

**FY2016** (as at 31 March 2016)  

<table>
<thead>
<tr>
<th>Description</th>
<th>NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt (net)</td>
<td>44.4</td>
</tr>
<tr>
<td>Total equity</td>
<td>541.7</td>
</tr>
<tr>
<td>Total assets</td>
<td>766.8</td>
</tr>
</tbody>
</table>

%  

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax return on average equity</td>
<td>39.7%</td>
</tr>
<tr>
<td>Pre-tax return on average total assets</td>
<td>28.0%</td>
</tr>
<tr>
<td>Gearing (debt/debt + equity)</td>
<td>7.7%</td>
</tr>
</tbody>
</table>
### Foreign Exchange Effects

- 52% of operating revenue in USD (1H FY16: 51%) and 21% in €.

<table>
<thead>
<tr>
<th>Hedging position for our main exposures</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD % cover of expected exposure</td>
<td>89%</td>
<td>42%</td>
<td>24%</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>USD average rate of cover</td>
<td>0.693</td>
<td>0.659</td>
<td>0.643</td>
<td>0.626</td>
<td>0.614</td>
</tr>
<tr>
<td>EUR % cover of expected exposure</td>
<td>92%</td>
<td>51%</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>EUR average rate of cover</td>
<td>0.581</td>
<td>0.576</td>
<td>0.571</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reconciliation of Constant Currency to Actual Income Statements</th>
<th>2015 NZ$000</th>
<th>2016 NZ$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax (constant currency)</td>
<td>130,951</td>
<td>156,502</td>
</tr>
<tr>
<td>Spot exchange rate effect</td>
<td>(2,335)</td>
<td>44,518</td>
</tr>
<tr>
<td>Foreign exchange hedging result</td>
<td>27,893</td>
<td>(4,005)</td>
</tr>
<tr>
<td>Balance sheet revaluation</td>
<td>2,257</td>
<td>3,815</td>
</tr>
<tr>
<td>Profit before tax (as reported)</td>
<td>158,766</td>
<td>200,830</td>
</tr>
</tbody>
</table>
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) 2016 Annual Report and accompanying market releases. Nothing in this presentation should be construed as an invitation for subscription, purchase or recommendation of securities in FPH.

This presentation includes forward-looking statements about the financial condition, operations and performance of FPH and its subsidiaries. These statements are based on current expectations and assumptions regarding FPH’s business and other circumstances. As with any projection or forecast, the forward-looking statements in this presentation are inherently uncertain and susceptible to changes in circumstances. FPH’s actual results may differ materially from those expressed or implied by those forward-looking statements.

References