Fisher & Paykel Healthcare Mexico and US Site Visit
22 September 2014
Tijuana, Mexico Manufacturing Facility

Pacifico Industrial Center, Tijuana, Baja California, Mexico
Introduction – Michael Daniell, CEO

• Offshore (from NZ) manufacturing
  – Geographic diversity
  – Skills availability
  – Cost

• Tijuana benefits
  – Medical device manufacturing skills (30,000 people)
  – Proximity to major North American markets
  – Low and relatively stable manufacturing labour costs
  – Bilingual Spanish, English
  – Working day overlap with Auckland
Facility Location

Tijuana

10,462 km
Distance from Auckland to Tijuana
Tijuana and Mexico Demographics

- Population of Mexico estimated at approximately 120 million
- 1.40% annual population growth
- 76.1 years life expectancy
- 26.3 years median age
- 3.2 million people in Baja California
- 1.6 million people in Tijuana
Medical device industry in Tijuana

• 1,946,358 employees in the Maquiladora Industry in Mexico in 5,084 companies

• 226,737 employed in Baja California in 911 companies

• 146,340 employed in Tijuana in 583 companies

• 38 medical device manufacturing plants in Tijuana

• 30,516 employees in medical device manufacturers in Tijuana

Source: Tijuana Medical Cluster
Other medical device manufacturers in Tijuana

Other medical device companies in the area:

Availmed
Block Medical
Carl Zeiss
DJ Orthopedics
Pall Medical
Covidien
CareFusion
Gambro
Greatbatch
Kimberly Clark Healthcare
Medtronic
Nypro
Ossur
Cardinal Health
Smiths-Medical
Sunrise Medical
Welchallyn

Source: Tijuana Medical Cluster
Quality

• Commitment to manufacturing quality healthcare devices

• Our Mexico plant incorporates a controlled working environment – an environmentally-controlled space in which temperature, humidity, pressure and contaminant levels are kept within strict limits

• Production quality is continuously monitored and out products are rigorously tested before shipment

• We maintain an effective quality management system that is certified to ISO13485: (the Medical Devices Quality Management Systems standard) by TÜV SÜD
## Timeline

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 2009</td>
<td>Lease agreement signed and fit-out starts</td>
</tr>
<tr>
<td>Feb 2010</td>
<td>Fit-out completed</td>
</tr>
<tr>
<td>Oct 2010</td>
<td>First moulding machines arrive</td>
</tr>
<tr>
<td>Oct 2010</td>
<td>First breathing circuit shipped</td>
</tr>
<tr>
<td>Sep 2012</td>
<td>First full face mask shipped</td>
</tr>
<tr>
<td>Oct 2011</td>
<td>Received Japan accreditation</td>
</tr>
<tr>
<td>Feb 2013</td>
<td>First breathing circuit shipped</td>
</tr>
<tr>
<td>Feb 2013</td>
<td>Started production of Evaqua II</td>
</tr>
<tr>
<td>Sep 2012</td>
<td>Started production of 405 mask</td>
</tr>
<tr>
<td>Jan 2013</td>
<td>Second chamber line installed</td>
</tr>
<tr>
<td>Jul 2012</td>
<td>Shipments to Colombia and UK</td>
</tr>
<tr>
<td>Jan 2013</td>
<td>Shipments to Colombia and UK</td>
</tr>
</tbody>
</table>

### Additional Details

- **Nov 2009**: First moulding machines arrive
- **May 2010**: First full face mask shipped
- **Feb 2011**: First shipments to Europe
- **Jul 2012**: Started production of 407 mask
- **Jan 2013**: Shipments to Colombia and UK
Staff and education

487

Total number of Mexico employees at 31 March 2014

• Qualified manufacturing staff are readily available in Tijuana
• We believe there will continue to be a steady supply of well-qualified staff

Education

• 5 Public Universities in Tijuana
  – 3 of them offer engineering degrees and also Master degrees
• 12 Private Universities in Tijuana
  – 7 of them offer engineering degrees and also offer Masters degrees
• UABC (Autonomous University of Baja California), CETYS University and UIA (Universidad Iberoamericana) are well regarded Universities
Manufacturing & Operations

• Respiratory and Acute Care (RAC) manufacturing area

• Obstructive Sleep Apnea (OSA) manufacturing area
Products Made in Mexico

• Chambers

• Circuits
Products Made in Mexico

- Masks

- Spares
What is next for Mexico?

Within the next 3 years we expect our Mexico plant to be manufacturing approximately half of the company’s consumable product volume

• Adding capacity growth in Mexico, generally not moving production from New Zealand

• Currently expanding clean manufacturing area

• In the next 12 to 18 months we will establish 6 additional production lines in Mexico
US / Canada Sales & Distribution

Barranca Parkway, Irvine, California, United States of America
US and Canadian Distribution Facilities

Irvine, California
US
Corporate Office
53,000 sq ft
Distribution

Laval, Quebec
Canada
25,000 sq ft
Distribution

Louisville, Kentucky
US
50,000 sq ft
Distribution
OSA Sales Process

F&P Sales

Sleep Diagnostics
Testing with F&P products

Homecare Provider
Supply preferred F&P products

Sleep Physician
Scripting preferred F&P products

Patient

F&P Simplus™

F&P Eson™

F&P ICON™

F&P Pilairo™
OSA Therapy

- New interface share gain
- Growth in home sleep testing
- Focus on compliance
- Focus on re-supply
Optiflow™ with myAIRVO™

• Focus on Chronic Obstructive Pulmonary Disease (COPD)

• Reducing hospital re-admission

• Establishing awareness

• Establishing payment pathway
Home Ventilation

• Noninvasive ventilation market growth

• MR810 respiratory humidifier

• HC550 respiratory humidifier
Respiratory & Acute Care - Markets and Products
Group Purchasing Organizations

• Group purchasing organizations (GPOs) assist health care providers in realizing savings and efficiencies by aggregating purchasing volume and using leverage to negotiate discounts with manufacturers, distributors and other vendors.

• Nearly 98% of hospitals belong to at least one GPO (2.2 GPOs/hospital).

• GPOs provide a wide array of services: Contracting; E-Commerce; Information Technology; Operational, clinical and safety initiatives; Technology assessment; Networking.

• Approximately 72.8% of a hospital’s spend is covered under a GPO contract.
# Group Purchasing Organizations

<table>
<thead>
<tr>
<th>GPO</th>
<th>Total Purchase Volume</th>
<th>Number of Acute Care Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premier</td>
<td>$41B</td>
<td>2,000</td>
</tr>
<tr>
<td>Novation</td>
<td>$49B</td>
<td>2,500</td>
</tr>
<tr>
<td>Amerinet</td>
<td>$9B</td>
<td>3,000</td>
</tr>
<tr>
<td>MedAssets</td>
<td>$50B</td>
<td>3,000</td>
</tr>
<tr>
<td>HealthTrust</td>
<td>$20B</td>
<td>1,400</td>
</tr>
</tbody>
</table>
Respiratory & Acute Care Sales Process

GPO – Group Purchasing Organization     IDN – Integrated Delivery Network

Product price negotiation
Fees rebated on Hospital purchases

Product flow
Sales & Marketing activity

Distribution price negotiation
Fees rebated on volume
Invasive Ventilation

- Optimal humidity
- Condensate control
- Evaqua™ technology
- Ventilator compatibility
Noninvasive Ventilation

- Unique humidification platform
- Compliance to therapy
- NIV respiratory support from premature birth to discharge
Optiflow™

• New Optiflow™ nasal high flow therapy

• Prevent escalation

• Replace traditional O₂ therapy

• Strong clinical evidence
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