

## News Release

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STOCK EXCHANGE LISTINGS: NEW ZEALAND (FPH), AUSTRALIA (FPH)

### **FISHER & PAYKEL HEALTHCARE REPORTS 76% INCREASE IN PROFIT**

Auckland, New Zealand, 26 May 2009 - Fisher & Paykel Healthcare Corporation Limited (NZSX:FPH, ASX:FPH) announced today that its operating profit for the year ended 31 March 2009 grew 76%, compared to the prior year, to NZ\$102.4 million. This was a result of very strong growth in its respiratory and acute care product group, new product introductions in its obstructive sleep apnea (OSA) range and favourable exchange rate movements. Profit after tax also grew 76% to NZ\$62.2 million.

#### **Operating revenue**

Operating revenue for the year ended 31 March 2009 increased 28% over the prior year to a record NZ\$458.7 million, and in US dollar terms, grew 10% to US\$299.3 million.

Respiratory and acute care product group operating revenue increased by 34% to NZ\$244.5 million and OSA product group operating revenue increased by 23% to NZ\$202.6 million.

“Demand for our respiratory humidifier systems was exceptionally strong, assisted by substantial orders for hospital Group Purchasing Organisation (GPO) contracts in the United States and delivery of respiratory consumable backorders in the first half.

In the expanding OSA treatment market, constant currency revenue growth for total mask and flow generator operating revenue increased to 12% in the second half as we began to gain share with our new premium CPAP flow generators and masks”, commented Fisher & Paykel Healthcare’s CEO, Mr Michael Daniell.

“We continue to make very encouraging progress in developing new clinical applications for our technologies beyond our traditional invasive ventilation and OSA markets. These include patients requiring non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic surgery. These applications generated constant currency revenue growth of 55% over the prior year and contributed a quarter of our respiratory and acute care consumables revenue.”

#### **Dividend**

The company’s directors have approved a final dividend for the financial year ended 31 March 2009 of 7.0 NZ cents per ordinary share (2008: 7.0 cents), carrying full imputation credit. Non-resident shareholders will receive a supplementary dividend of 1.2353 NZ cents per share. The final dividend will be paid on 6 July 2009, with a record date of 19 June, and an ex-dividend date of 15 June for the ASX and 22 June for the NZSX.

The company will implement a dividend reinvestment plan under which shareholders may choose to reinvest all or part of their cash dividends in additional ordinary shares.

#### **Research & Development, SG&A**

Research and development expenses increased by 18% over the prior year to NZ\$28.3 million, representing 6.2% of operating revenue. The company continued to expand its product and process research and development activities and current new product projects include flow generators, masks and additional respiratory care consumables. For the 2009 financial year the company has accrued in other income a one-time R&D tax credit of NZ\$3 million.

Selling, general and administrative (SG&A) expenses grew 22% to NZ\$118.9 million, or 13% in constant currency terms, as the company continued to expand its operations and its sales teams in North America, Europe, Asia/Pacific and South America.

## Foreign Exchange Hedging

The company has in place a mix of foreign exchange contracts and collar options, up to five years forward, with a face value of approximately NZ\$610 million. These instruments are at average rates of approximately 0.55 US dollars and 0.44 Euros to the New Zealand dollar for the 2010 financial year and are to protect the company from exchange rate volatility.

## Outlook

“This year we intend to invest significantly in expanding our sales and distribution operations, with plans to establish distribution and clinical sales support centres in four additional countries, including Japan. We will be expanding both our R&D activities and our manufacturing capacity in New Zealand, and will also establish an offshore manufacturing facility,” concluded Mr Daniell.

For the 2010 financial year the company expects to continue to achieve robust revenue growth and estimates that, at an average NZD:USD exchange rate of 0.60, it will achieve operating revenue of approximately NZ\$540 million and profit after tax growth of about 25% to approximately NZ\$75 million to NZ\$80 million.

## Financial Statements and Commentary

Attached to this news release are condensed NZ dollar financial statements and commentary. For convenience the income statement has been translated into US dollars.

The company's financial statements for the year ended 31 March 2009 and the comparative financial information for the year ended 31 March 2008 have been prepared under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

## Full Year Results Conference Call

Fisher & Paykel Healthcare will host a conference call today to review the results and to discuss the outlook for the 2010 financial year. The conference call is scheduled to begin at 1:00pm NZST, 11:00am AEST (9:00pm US EDT) and will be broadcast simultaneously over the Internet.

To listen to the webcast, access the company's website at [www.fphcare.com](http://www.fphcare.com). Please allow extra time prior to the webcast to visit the site and download the streaming media software if required. An online archive of the event will be available approximately two hours after the webcast and will remain onsite for two weeks.

Intending participants may register for the conference call prior to the event, using this link: <http://www.fphcare.com/investor/conference>. Once registered, participants will be assigned a conference Passcode and user PIN. Registered participants can dial in to one of the numbers below and use their codes for instant access to the conference. Alternatively, dial in to one of the numbers below a few minutes prior to the scheduled call time and identify yourself to the operator:

New Zealand Toll Free	0800 449 118
Australia Toll Free	1800 500 686
USA Toll Free	1866 369 4113
International	+61 3 9221 4420

An audio replay of the conference call will be available approximately 60 minutes after the call and will be accessible for two weeks at +61 3 9221 4752, access code 043633.

## About Fisher & Paykel Healthcare

Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea. The company's products are sold in over 120 countries worldwide. For more information about the company visit [www.fphcare.com](http://www.fphcare.com)

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**FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED  
AND SUBSIDIARIES**

**Condensed Income Statements**

**(In thousands of NZ dollars, except per share data)**

	Year Ended 31 March		<b>% Change</b>
	<b>2009</b>	<b>2008</b>	
Operating revenue	458,717	357,893	+28.2%
Cost of sales	(212,087)	(177,811)	+19.3%
Gross profit	246,630	180,082	+37.0%
Gross margin	53.8%	50.3%	
Other income	3,000	-	
Selling, general and administrative expenses	(118,929)	(97,859)	+21.5%
Research and development expenses	(28,310)	(24,091)	+17.5%
Operating profit before financing costs	102,391	58,132	+76.1%
Operating margin	22.3%	16.2%	
Financing income	1,263	711	+77.6%
Financing expense	(8,777)	(5,748)	+52.7%
Exchange gain (loss) on foreign currency borrowings	(9,839)	1,215	-909.8%
Net financing income (expense)	(17,353)	(3,822)	
Profit before tax	85,038	54,310	+56.6%
Tax expense	(22,805)	(19,034)	+19.8%
Profit after tax	62,233	35,276	+76.4%
Basic earnings per share	12.2 cps	6.9 cps	
Diluted earnings per share	11.8 cps	6.7 cps	
Weighted average basic shares outstanding	509,492,237	509,402,778	
Weighted average diluted shares outstanding	527,363,056	524,856,394	

**FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED  
AND SUBSIDIARIES**

**Condensed Income Statements**

(In thousands of US dollars, except per share data)

	Year Ended 31 March		% <i>Change</i>
	2009	2008	
Operating revenue	299,267	271,462	+10.2%
Cost of sales	(138,366)	(134,870)	+2.6%
Gross profit	160,901	136,592	+17.8%
Gross margin	53.8%	50.3%	
Other income	1,957	-	
Selling, general and administrative expenses	(77,589)	(74,226)	+4.5%
Research and development expenses	(18,469)	(18,273)	+34.0%
Operating profit before financing costs	66,800	44,093	+51.5%
Operating margin	22.3%	16.2%	
Financing income	824	539	+52.9%
Financing expense	(5,726)	(4,360)	+31.3%
Exchange gain (loss) on foreign currency borrowings	(6,419)	922	-796.2%
Net financing income (expense)	(11,321)	(2,899)	
Profit before tax	55,479	41,194	+34.7%
Tax expense	(14,878)	(14,437)	+3.1%
Profit after tax	40,601	26,757	+51.7%
Basic earnings per share	8.0 cps	5.3 cps	
Diluted earnings per share	7.7 cps	5.1 cps	
Weighted average basic shares outstanding	509,492,237	509,402,778	
Weighted average diluted shares outstanding	527,363,056	524,856,394	

**FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED  
AND SUBSIDIARIES**

**Operating Revenue  
(In thousands of dollars)**

**Year Ended 31 March**

	NZ dollars			US dollars		
	2009	2008	% Change	2009	2008	% Change
Respiratory and acute care products	244,527	182,043	+34.3%	160,126	138,126	+15.9%
OSA products	202,604	165,377	+22.5%	131,485	125,411	+4.8%
Core products sub-total	447,131	347,420	+28.7%	291,611	263,537	+10.7%
Distributed and other products	11,586	10,473	+10.6%	7,656	7,925	-3.4%
<b>Total</b>	<b>\$458,717</b>	<b>\$357,893</b>	<b>+28.2%</b>	<b>\$299,267</b>	<b>\$271,462</b>	<b>+10.2%</b>

**Condensed Balance Sheets  
(In thousands of NZ dollars)**

**As at 31 March**

	2009	2008
Cash and cash equivalents	5,465	5,263
Trade and other receivables	80,996	60,262
Inventories	69,946	50,770
Other current assets	16,268	13,279
<b>Total current assets</b>	<b>172,675</b>	<b>129,574</b>
Property, plant and equipment	204,558	186,489
Other assets	36,504	15,604
<b>Total assets</b>	<b>413,737</b>	<b>331,667</b>
Current liabilities	93,854	110,381
Non-current liabilities	115,582	25,622
Shareholders' equity	204,301	195,664
<b>Total liabilities and shareholders' equity</b>	<b>413,737</b>	<b>331,667</b>

**FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED  
AND SUBSIDIARIES**

**Condensed Statements of Cash Flows  
(In thousands of NZ dollars)**

	Year Ended 31 March	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	456,418	356,551
Interest received	1,163	590
Payments to suppliers and employees	(363,436)	(291,423)
Taxation paid	(22,818)	(15,740)
Interest paid	(9,262)	(5,627)
Net cash flow from operations	62,065	44,351
<b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		
Net purchase of property, plant and equipment	(20,362)	(11,632)
Purchase of intangible assets	(2,006)	(1,825)
Net sale of short-term investments	-	-
Net cash flow (used in) investing activities	(22,368)	(13,457)
<b>CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		
Employee share purchase schemes	605	488
Net issue (repurchase) of share capital	186	(11,161)
Borrowings, net	28,390	42,847
Dividends paid	(66,302)	(68,022)
Net cash flow (used in) financing activities	(37,121)	(35,848)
Net increase (decrease) in cash	2,576	(4,954)
Opening cash	(3,294)	2,283
Effect of foreign exchange rates	516	(623)
Closing cash	(202)	(3,294)
<b>RECONCILIATION OF CLOSING CASH</b>		
Cash and cash equivalents	5,465	5,263
Bank overdrafts	(5,667)	(8,557)
Closing cash	(202)	(3,294)

## Full Year Results Commentary

### OVERVIEW

Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea. Our products are sold in over 120 countries worldwide.

The company's financial statements for the year ended 31 March 2009 and the comparative financial information for the year ended 31 March 2008 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Operating revenue increased by 28%, or 10% in US dollar terms, and EBIT increased by 76% to NZ\$102.4 million over the prior year. EBIT margin increased to 22.3% for the year. Constant currency operating revenue growth was 15% compared to the prior year.

The Directors have approved a final dividend of NZD 7.0 cents per ordinary share carrying a full imputation credit of 3.0 cents per share (100% imputed based on a 30% tax rate). Non-resident shareholders will receive a supplementary dividend of NZD 1.2353 cents per share. The final dividend will be paid on 6 July 2009, with a record date of 19 June 2009 and an ex-dividend date of 15 June 2009 for the ASX and 22 June 2009 for the NZX.

The Directors have maintained the dividend payment for the year at 12.4 cps being 5.4 cps interim and 7.0 cps final on the basis that the Company's underlying cashflow and balance sheet continue to be strong. The Company will offer shareholders the opportunity to receive ordinary shares rather than cash under a Dividend Reinvestment Plan.

### HISTORICAL FINANCIAL PERFORMANCE

#### Year ended 31 March 2009 compared to year ended 31 March 2008

The following table sets forth the consolidated statement of financial performance for the years ended 31 March 2009 and 2008:

	Financial year ended 31 March			
	2009 NZ\$millions	2008 NZ\$millions	2009 US\$millions	2008 US\$millions
Operating revenue	458.717	357.893	299.267	271.462
Cost of sales	212.087	177.811	138.366	134.870
Gross profit	246.630	180.082	160.901	136.592
<b>Gross margin</b>	<b>53.8%</b>	<b>50.3%</b>	<b>53.8%</b>	<b>50.3%</b>
Other income	3.000	-	1.957	-
Selling, general and administrative expenses	118.929	97.859	77.589	74.226
Research and development expenses	28.310	24.091	18.469	18.273
Operating profit before financing costs	102.391	58.132	66.800	44.093
<b>Operating margin</b>	<b>22.3%</b>	<b>16.2%</b>	<b>22.3%</b>	<b>16.2%</b>
Net financing income (expense)	(17.353)	(3.822)	(11.321)	(2.899)
Profit before taxation	85.038	54.310	55.479	41.194
Taxation	(22.805)	(19.034)	(14.878)	(14.437)
Profit after taxation	\$62.233	\$35.276	\$40.601	\$26.757

## Operating revenue

Our operating revenue increased by 28% to NZ\$458.717 million for the financial year ended 31 March 2009 from NZ\$357.893 million for the financial year ended 31 March 2008.

The increase was principally due to increased sales volume from our core products, respiratory and acute care and OSA during the financial year, assisted by a decrease in the average value of the New Zealand dollar against the US dollar, Euro and British pound compared to the prior year.

Our operating revenue was reduced by approximately NZ\$26.799 million due to our foreign exchange hedging when compared to the average spot rates for the financial year ended 31 March 2009. The benefit to operating revenue was approximately NZ\$11.927 million for the financial year ended 31 March 2008.

The following table sets forth operating revenue by product group for the financial years ended 31 March 2009 and 2008:

	Financial year ended 31 March					
	2009 NZ\$millions	2008 NZ\$millions	Percentage variation	2009 US\$millions	2008 US\$millions	Percentage Variation
Respiratory and acute care products	244.527	182.043	+34.3%	160.126	138.126	+15.9%
OSA products	202.604	165.377	+22.5%	131.485	125.411	+4.8%
Core products sub-total	447.131	347.420	+28.7%	291.611	263.537	+10.7%
Distributed and other products	11.586	10.473	+10.6%	7.656	7.925	-3.4%
Total	\$458.717	\$357.893	+28.2%	\$299.267	\$271.462	+10.2%

Demand for our respiratory humidification systems was exceptionally strong in the first half as we delivered substantial orders for Hospital Group Purchasing Organisation contracts in the United States, and delivered respiratory consumable backorders from late in the 2008 year.

Demand continued to be robust in the second half, resulting in total operating revenue of NZ\$244.527 million dollars for the respiratory and acute care product group, being growth of 34% compared with last year, or 21% in constant currency terms.

We continued to be encouraged by the progress we make in expanding the application of our products and technologies to the care of patients beyond our traditional invasive ventilation application, with constant currency consumables revenue growth from new applications of 55% for the year. Over a quarter of our respiratory and acute care consumables revenue came from devices used in non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic surgery.

In the respiratory and acute care group, underlying average sell prices again remained largely stable, supported by some modest average selling price increases.

In our OSA product group, operating revenue growth was 23% to NZ\$202.604 million dollars. Excluding the legacy add-on humidifier products, revenue growth increased in the second half to 12% in constant currency terms, as we begin to gain share with our new premium flow generators and masks.

Early in the second half we began selling our new SleepStyle Auto Flow generators with SensAwake in the United States, and in the last quarter we introduced the SleepStyle 240 range, which incorporates our Smart Stick USB compliance and efficacy recording

technology. These two new products together give us the opportunity to address the complete CPAP flow generator market.

We also introduced two new masks, Zest and Forma. The Zest nasal mask combines our new Easy-Clip silicone seal with our previously proven Glider and FlexiFit technology and is small and quiet and fits most patients with minimal adjustment.

The Forma full face mask includes a new FlexiFoam cushion, which is soft and light and features active contouring that conforms naturally to the patient's face. We are very encouraged by customer response to the new masks and the sales achieved so far.

Distributed and other products revenue growth was 11% with total operating revenue of NZ\$11.586 million.

Sales of respiratory and acute care products represented 53% and 51% of operating revenue for the financial years ended 31 March 2009 and 2008 respectively. Sales of OSA products represented 44% and 46% of operating revenue for the financial years ended 31 March 2009 and 2008 respectively. Sales of consumable and accessory products for core products accounted for 74% and 71% of operating revenue for the financial years ended 31 March 2009 and 2008, respectively. Operating revenue from respiratory and acute care and OSA products has grown at compound annual growth rates of 16% and 19% in New Zealand and US dollar terms respectively, from 31 March 2000 to 31 March 2009, as we have introduced new products and the markets for these products have expanded.

The following table sets forth our operating revenue for each of the primary regional markets for the financial years ended 31 March 2009 and 2008:

	Financial year ended 31 March			
	2009 NZ\$millions	2008 NZ\$millions	2009 US\$millions	2008 US\$millions
North America	208.861	165.685	136.402	125.624
Europe	151.907	115.999	98.677	88.062
Asia Pacific	71.787	58.287	47.172	44.180
Other	26.162	17.922	17.016	13.596
<b>Total</b>	<b>\$458.717</b>	<b>\$357.893</b>	<b>\$299.267</b>	<b>\$271.462</b>

In the financial year ended 31 March 2009, 61% of operating revenue was denominated in US dollars. We make a significant proportion of US dollar sales to customers outside the United States. Euros, Australian dollars and British pounds, represented approximately 22%, 6% and 5% of operating revenue respectively in the past financial year.

### Expenses

Expenses consist of cost of sales, research and development, and selling, general and administrative expenses.

Cost of sales consists of manufacturing costs (primarily raw materials and labour), costs of distributed products, an allocation of the overhead costs of the New Zealand facility and freight costs.

Research and development expenses consist primarily of staff payroll and benefits, an allocation of the overhead costs of the New Zealand facility, costs of materials and clinical study costs.

Research and development activities are primarily conducted in New Zealand. Research and development expenses totalled NZ\$28.310 million for the year ended 31 March 2009 compared to NZ\$24.091 million in the previous financial year. The increase was attributable to increases in research and development personnel in connection with the continuing expansion of product and process development activities for the respiratory and acute care and OSA product groups. Research and development expenses represented 6.2% of operating revenue for the financial year ended 31 March 2009.

Research and development expenses are expected to continue to grow due to a broadening of the product range and the application of our products.

Selling, general and administrative expenses consist primarily of staff payroll and benefits, travel expenses, marketing and promotional material. Selling, general and administrative expenses increased by 22% to NZ\$118.929 million in the financial year ended 31 March 2009 compared to NZ\$97.859 million in the previous financial year. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities and was inflated by the decrease in value of the New Zealand dollar against most other currencies. Excluding the effects of currency translations, selling, general and administrative expenses have increased by 13% in the financial year ended 31 March 2009.

### **Gross Profit**

Gross profit increased to NZ\$246.630 million, or 54% of operating revenue, in the financial year ended 31 March 2009 from NZ\$180.082 million, or 50% of operating revenue, in the financial year ended 31 March 2008. Gross profit increased due to underlying business growth and the weakening of the NZ dollar compared to the US dollar. Gross margin percentage also increased due to the level of the NZ dollar versus the US dollar, with underlying margin reflecting some selling price reductions in OSA, customer mix in respiratory and acute care, and input cost increases. Excluding the effects of currency translations, cost of sales increased by 15% in the financial year ended 31 March 2009, slightly lower than revenue growth.

The net detriment of approximately NZ\$26.2 million (2008: NZ\$11.7 million benefit) for the current year from hedging was made up of approximately NZ\$26.8 million (2008: NZ\$11.9 million benefit) related to operating revenue offset by approximately NZ\$0.6 million (2007: NZ\$0.2 million) related to purchases of goods and services.

### **Operating profit**

Operating profit increased by 76% to NZ\$102.391 million in the financial year ended 31 March 2009 from NZ\$58.132 million in the financial year ended 31 March 2008.

Operating profit increased by 52% to US\$66.800 million in the financial year ended 31 March 2009 from US\$44.093 million in the financial year ended 31 March 2008.

### **Liquidity and capital resources**

As at 31 March 2009 we had NZ\$5.465 million in cash and cash equivalents and NZ\$120.957 million of interest bearing liabilities. Our drawn borrowings are held primarily in New Zealand and in the United States in New Zealand dollars and US dollars respectively. We had in place credit facilities that permit us to borrow up to a total of the equivalent of NZ\$195.894 million, denominated primarily in NZ dollars, US dollars and Euros.

Net cash generated from operating activities totalled NZ\$62.065 million for the financial year ended 31 March 2009. Operating cashflow was higher than the prior year as a result of more favourable foreign currency rates of exchange than experienced in the prior year and underlying business growth partially offset by less favourable foreign currency hedging.

The Company's capital expenditures totalled NZ\$22.369 million for the financial year ended 31 March 2009. The majority of other expenditures related to the purchase of production tooling and equipment, computer equipment and software and patents.

Net cash used in financing activities was NZ\$37.121 million for the financial year ended 31 March 2009. The payment of our final dividend for the prior financial year and interim dividend for the current financial year was the main contributor to the significant outflow of funds partially offset by net new borrowings in New Zealand.

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