

Fisher & Paykel
HEALTHCARE

Annual Report 2009



CONTENTS

Results in Brief	2	Auditors' Report	36
2009 Highlights	3	Income Statements	37
Our Values and Vision	4	Statements of Changes in Equity	38
Chairman's Report	6	Balance Sheets	39
Chief Executive Officer's Review	10	Statements of Cash Flows	40
Board of Directors	22	Notes to the Financial Statements	41
Directors' Report	24	Statutory Information	79
Corporate Governance	26	Directory	86
Five Year Summary	32		



Improving Care and Outcomes

We have consistently achieved strong revenue growth in our core product groups which include devices for use in respiratory care, acute care and the treatment of obstructive sleep apnea (OSA).

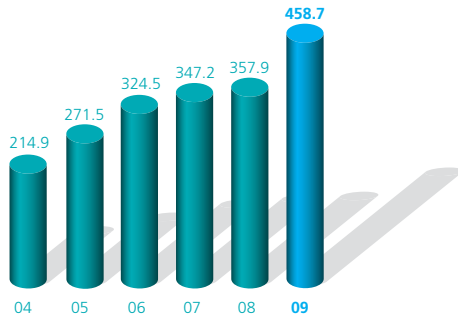
This growth stems from our vision to generate increased value for our shareholders by designing, developing, manufacturing, marketing and selling healthcare devices worldwide which can improve patient care and outcomes.

We continued to make considerable progress in our objective to provide a broadening range of innovative products which can assist to improve care and outcomes, for an increasing number of patients, in an expanding range of settings including home care, adult and neonatal intensive care, respiratory care and laparoscopic surgery.

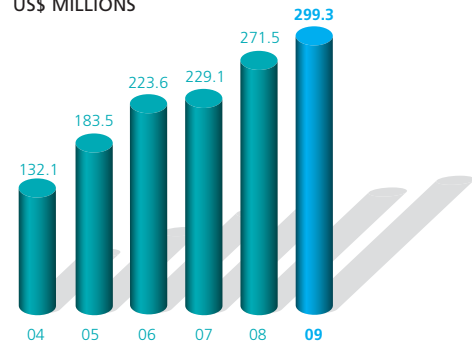
RESULTS IN BRIEF

Operating Revenue*

NZ\$ MILLIONS

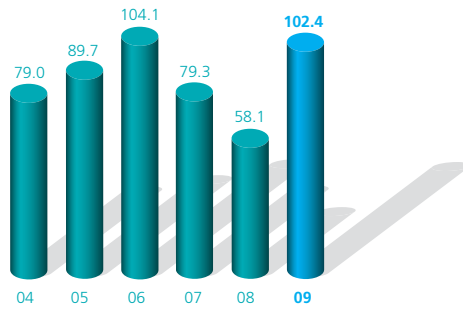


US\$ MILLIONS

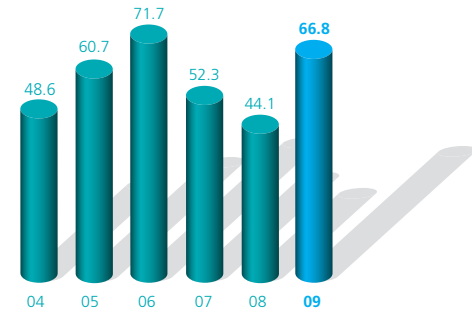


Operating Profit*

NZ\$ MILLIONS

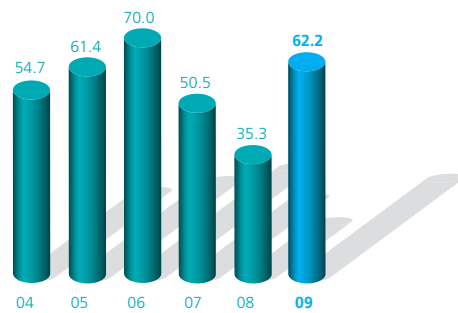


US\$ MILLIONS

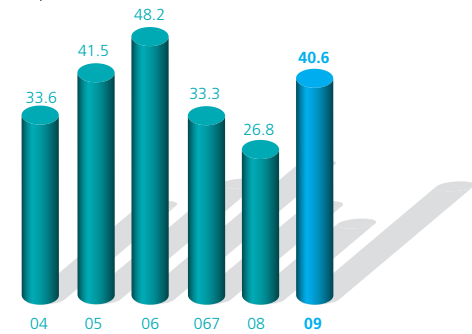


Profit After Tax*

NZ\$ MILLIONS



US\$ MILLIONS



* 2007 - 2009 results were prepared under NZ IFRS.
Results from 2006 and prior years were prepared under previous NZ GAAP.

2009 HIGHLIGHTS

76% increase in operating profit to NZ\$102.4 million

76% increase in profit after tax to NZ\$62.2 million

28% growth in operating revenue to a record NZ\$458.7 million

34% growth in respiratory and acute care product group revenue to NZ\$244.5 million

23% growth in OSA product group revenue to NZ\$202.6 million

43% pre-tax return on average shareholders' equity

Research and development investment of **6.2%** of operating revenue

Total dividend of **NZ12.4 cents** per share for the year, fully imputed

VALUES

Fundamental to our success are these basic values:

Patients

We will employ our research capabilities, technical skills and clinical partnerships to design and develop innovative products and therapies which assist healthcare professionals to provide the best possible patient care and outcomes.

Customers

Our goal is to be recognised by our customers as a high quality, innovative and efficient supplier. We will earn their respect as the “best to do business with” through our understanding of their current and future needs.

Our People

We value our family of employees as essential to the success of our company. We aim to develop a long-term trusting relationship with each employee, providing for their welfare, wellbeing and safety, encouraging their contributions and assisting in their personal development and education. In all dealings we will be fair and consistent.

Quality Improvement

We believe in continuous improvement in everything we do, including our administration, marketing, sales, design, service, distribution and manufacturing. Continued innovation and improvement are critical to our ongoing growth.

Suppliers

We view suppliers of goods and services, with whom we wish to develop long-term trusting relationships, as an extension of our company. We expect our suppliers to embrace our quality improvement philosophy in their dealings with us.

Shareholders

We aim to be a company in whom our shareholders have trust and pride. We will keep our shareholders properly informed of our company’s performance and prospects. We recognise the need to provide our shareholders with an excellent return on investment, consistent with long-term growth.

Planning

All short-term decisions will be consistent with long-term objectives that balance the needs of our people, customers, suppliers and shareholders. Each year these objectives will be widely communicated within our company.

Environment

Reflecting our commitment to minimise the impact of our operations on the environment, we aim to develop products and manufacturing processes which are as friendly to the environment as practicable.

Society

We will conduct our business at all times in a fair, ethical, consistent and professional manner. We accept our responsibility to be a trustworthy community neighbour and will continue to support community affairs.

VISION

Our purpose is to increase shareholder value by profitably designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes.





GARY PAYKEL
Chairman

An increasing number of hospitals, physicians, nurses, therapists and homecare providers are choosing our devices to assist with treatment of their patients.

CHAIRMAN'S REPORT

We have continued to make very encouraging progress in developing new opportunities for growth by expanding the range of applications for our medical devices. In particular, we have expanded the use of our humidification and breathing system technologies outside of our traditional hospital intensive care environment and introduced new premium treatment devices in our OSA product group.

An increasing number of hospitals, physicians, nurses, therapists and homecare providers are choosing our devices to assist with treatment of their patients. Their support is reflected in the 28% growth in our operating revenue to a record NZ\$458.7 million for the year ended 31 March 2009.

We achieved a 76% increase in operating profit to NZ\$102.4 million compared to NZ\$58.1 million for the prior year. Profit after tax also grew 76%, to NZ\$62.2 million, compared to NZ\$35.3 million for the prior year.

Your directors approved a final dividend of NZ 7.0 cents per share. Total dividends for the year were NZ12.4 cents per share, carrying full NZ imputation credit.

Revenue growth was again a result of a strong contribution from our core product categories of respiratory and acute care and OSA, both of which we believe continue to achieve gains in market share.

Respiratory and acute care products, which include our heated humidification systems and neonatal care devices, made the largest contribution to growth with operating revenue up 34%. The OSA product group also continued to grow strongly with operating revenue from masks, flow generators and heated humidifiers up 23%.

Respiratory and acute care products accounted for 53% of our total operating revenue, OSA products represented 44% and distributed and other products represented 3%. Consumable and accessory products which generate recurring revenue, such as humidifier chambers, breathing circuits and masks, accounted for approximately 74% of core products' operating revenue, up from 71% in the prior year.

We continue to invest in the expansion of our global sales network with our own people located in 26 countries and our products sold in more than 120 countries. We have an increasing number of our own people supporting customers at a local level and our experience confirms that the stronger our presence in each market, the better we can inform

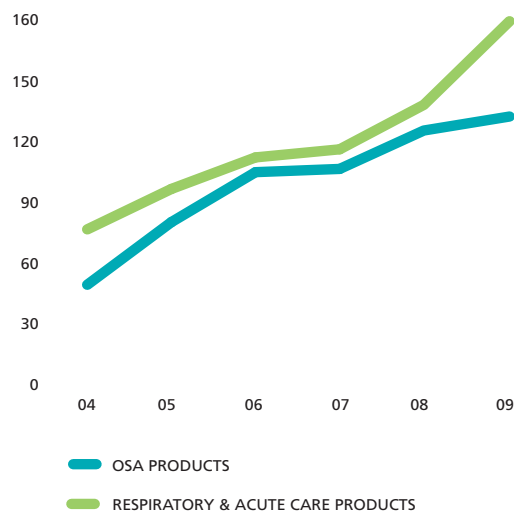
clinicians, build relationships and identify growth opportunities.

Our business is very much global and we sell in a variety of currencies, with a large proportion, approximately 61%, of our operating revenue generated in US dollars. Euros accounted for 22%, Australian dollars 6%, UK pounds 5%, and New Zealand dollars 1% of our operating revenue. Exchange rates between the New Zealand dollar and other currencies were again volatile during the year, with the New Zealand dollar depreciating substantially against the US dollar. The geographic contribution to revenue was North America 46%, Europe 33% and Asia Pacific and Other, 21%.

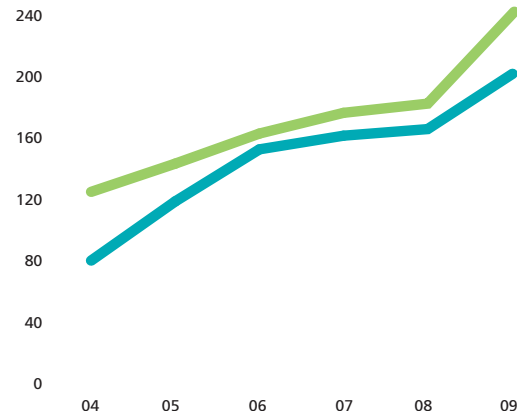
Selling, general and administrative (SG&A) expenses were NZ\$118.9 million, an increase of 22% over the prior year, reflecting increased activity and the effect of the weaker NZ dollar. Excluding the effect of currency translations, SG&A expenses increased by approximately 13%. The increase was primarily due to an increase in the number of our sales, marketing and operations staff to support our growth.

REVENUE BY PRODUCT GROUP*

US\$ MILLIONS



NZ\$ MILLIONS



* 2007 - 2009 results were prepared under NZ IFRS. Results from 2006 and prior years were prepared under previous NZ GAAP.

Our research and development (R&D) expenses increased 18% to NZ\$28.3 million compared to NZ\$24.1 million in the prior year and represented 6.2% of operating revenue. This investment ensured that we continued to expand the range of innovative medical devices that we provide to assist clinicians to improve patient care and outcomes. For the 2009 financial year we expect to receive a one-time R&D tax credit of approximately NZ\$3.0 million dollars. The new New Zealand Government has removed the tax credit effective from April 2009.

Our R&D investment was spread across our core product groups, as we continued to develop our products and technology. New and improved products and processes, along with the development of new medical applications for our technologies, are critical drivers of our annual revenue and earnings growth. We remain committed to expanding our R&D activities.

The net cash generated from operating activities in the financial year was NZ\$62.1 million. Operating cash flow was significantly stronger than the prior year as a result of strong growth in earnings.

Capital expenditure of NZ\$22.4 million was primarily for the purchase of production tooling and equipment, computer equipment, software and patents.

Net cash used in financing activities of NZ\$37.1 million primarily related to the payment of our interim and final dividends. As at 31 March 2009 we had in place credit facilities that permit us to borrow up to the total of the equivalent of NZ\$195.9 million, denominated primarily in NZ dollars, US dollars and Euros.

We operate in specialised international markets and, as Chairman, I believe that shareholder interests are

well represented by your Board. We are fortunate in that we have a Board whose experience and knowledge spans marketing, sales, finance, science, medicine, engineering, legal, quality, regulatory, and the many other demands of an international business.

Your Board is committed to ensuring the company adheres to best practice corporate governance standards and you will find the company's governance policies later in this annual report.

The experience, capabilities and commitment of our more than 2000 people worldwide ensures we are able to offer innovative medical devices which can help to improve patient care and outcomes and enable us to deliver the long term growth in value expected by our shareholders. Excellence in quality, research, development, manufacturing, marketing, sales, distribution and administration underpins our ability to grow.

The Board appreciates that our strong performance and our prospects for growth are a result of the combined efforts of our staff and the support we receive from our customers, distributors, suppliers and clinical partners. Our sincere thanks to them all.



Gary Paykel CNZM

Chairman

