

A dark blue background featuring a faint, light blue world map. The map shows the continents of North America, South America, Europe, Africa, and Australia.

# Fisher & Paykel

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# HEALTHCARE

FY06 Full Year Update & Overview

# Investment Highlights

- **Leading player in heated humidification systems**
- **Consistent growth strategy**
- **Estimated US\$2+ billion and growing market opportunity**
- **High level of innovation**
- **Global presence**
- **Strong financial performance**

**NZSX:FPH, ASX:FPH**



# Operating Results US\$

FY06 (12 mths)

	<u>%Revenue</u>	<u>US\$M</u>	<u>%Δpcp</u>
Trading revenue	100%	199.6	+23%
<b>Gross profit</b>	<b>70.1%</b>	<b>140.0</b>	<b>+19%</b>
<b>SG&amp;A</b>	<b>28.2%</b>	<b>56.3</b>	<b>+24%</b>
<b>R&amp;D</b>	<b>5.9%</b>	<b>12.0</b>	<b>+9%</b>
<b>Total Operating Expenses</b>	<b>34.2%</b>	<b>68.2</b>	<b>+21%</b>
Operating Profit	35.9%	71.7	+18%

# Operating Results NZ\$

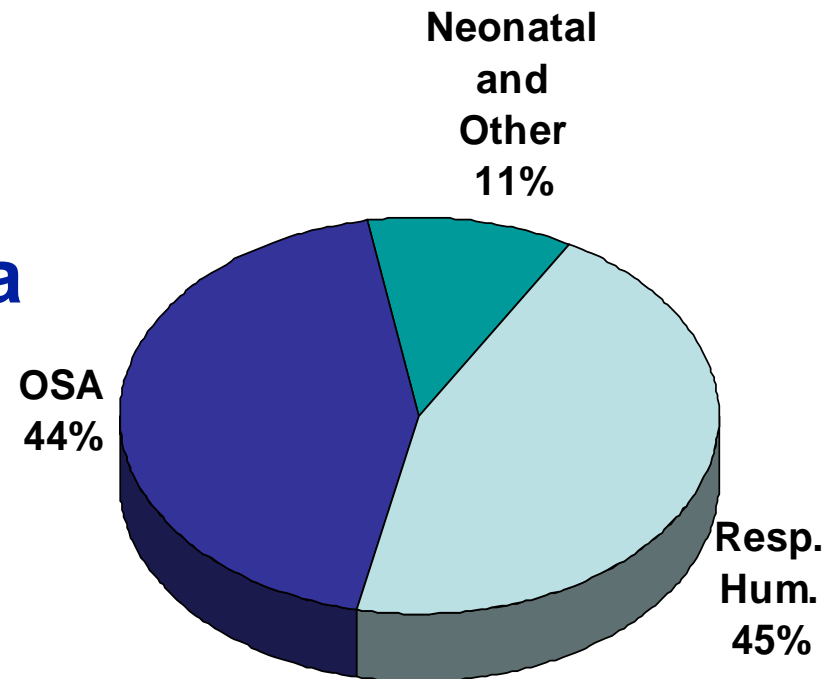
FY06 (12 mths)

	<u>% Revenue</u>	<u>NZ\$M</u>	<u>%Δpcp</u>
Trading revenue	100%	289.5	+20%
<b>Gross profit</b>	<b>70.1%</b>	<b>203.1</b>	<b>+17%</b>
<b>SG&amp;A</b>	<b>28.2%</b>	<b>81.7</b>	<b>+21%</b>
<b>R&amp;D</b>	<b>5.9%</b>	<b>17.3</b>	<b>+7%</b>
<b>Total Operating Expenses</b>	<b>34.2%</b>	<b>99.0</b>	<b>+18%</b>
Operating Profit	35.9%	104.1	+16%

# Markets and Products

- **Respiratory humidification**
- **Obstructive sleep apnea**
- **Neonatal and other**

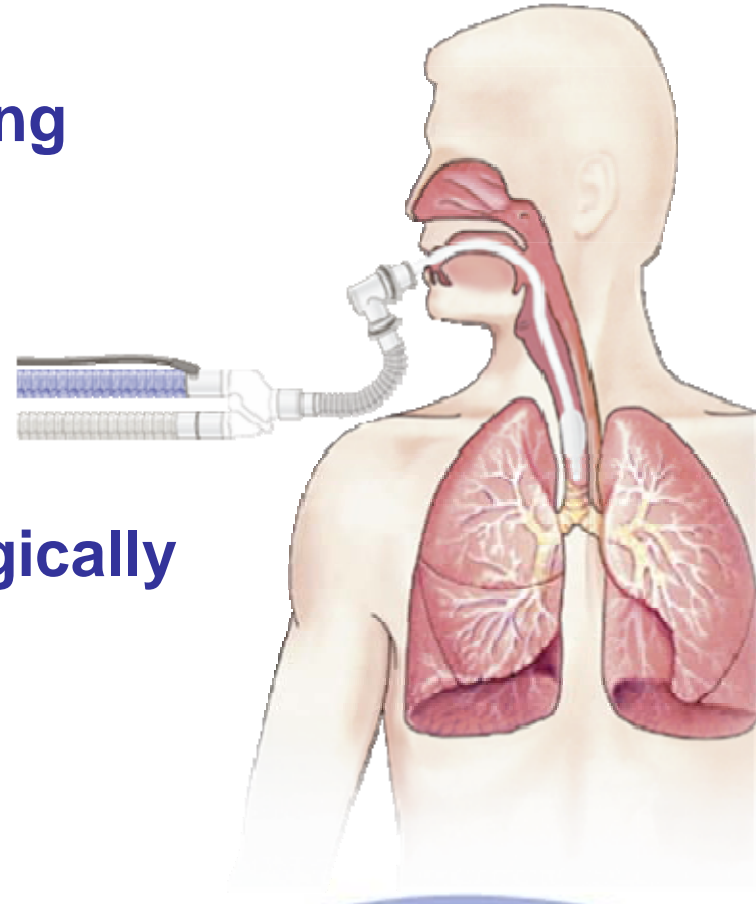
» **Consumable products represent approx. 59% of core product sales**



Revenue by Product  
12 months to 31 March 2006

# Respiratory Humidification

- Normal airway humidification is bypassed or compromised during ventilation or O<sub>2</sub> therapy
- Mucociliary transport system operates less effectively
  - increases risk of infection
  - impairs gas exchange
- Need to deliver gas at physiologically normal levels
  - 37°C body core temperature
  - 44mg/L 100% saturated
- Estimate US\$600M+ market opportunity.



# Expanding Opportunities



Invasive Ventilation



Weaning

**New**



**New**

Non-invasive Ventilation



O<sub>2</sub> Therapy

**New**



Humidity therapy

**New**



**New**

Laparoscopic Insufflation

# Humidification Systems

- **MR850 Respiratory Humidifier System**
  - invasive ventilation, O<sub>2</sub> therapy and non-invasive ventilation
- **MR880 Respiratory Humidifier System**
  - simpler controls
  - O<sub>2</sub> therapy
- **MR810 Respiratory Humidifier System**
  - entry level system
  - ventilation and O<sub>2</sub> therapy
  - optional heated breathing circuit
- **HC550 Respiratory Humidifier System**
  - invasive ventilation for home use





# Single-use Components

- **Single-use chambers**
  - patented auto filling MR290
- **Single-use breathing circuits**
  - patented spiral heater wire
  - proprietary dry expiratory tube
  - less condensation
  - delivery of optimal humidity
- **Breathing circuit components**
  - filters
  - catheter mount
  - weaning kit
- **Interfaces**
  - NIV masks, tracheostomy, O<sub>2</sub> therapy
- **Approx 35 system set-ups used per controller per year**
- **Consumable growth driving increased revenue growth rate**



**New**

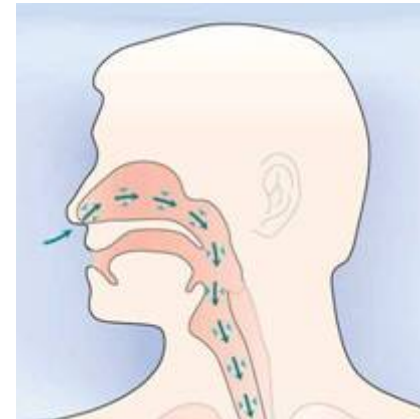
# Respiratory Humidification Update

- 14% revenue growth US\$, 17% ex currency
- MR850, MR810 penetration driving increasing breathing circuit share
- Increasing value per patient
- Introduced broad range of single use interfaces, NIV, O<sub>2</sub> therapy, humidity therapy
- Additional consumables, COPD home system in R&D pipeline

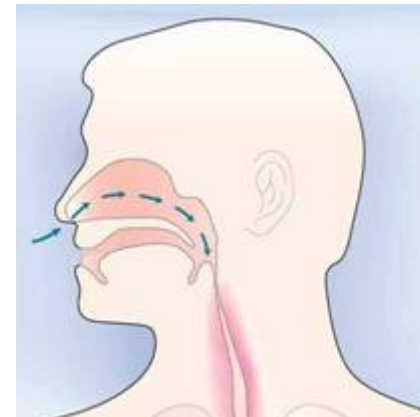


# Obstructive Sleep Apnea

- 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\$1.2+ billion worldwide market, growing 15% - 20%
- Potentially 50-60 million affected worldwide
- Most common treatment is CPAP (Continuous Positive Airway Pressure)
  - key issue with CPAP is compliance
- Humidification provides significant acceptance and compliance improvements



Normal breathing



Patient with OSA

# CPAP Systems

- **HC150 Humidifier**
- **SleepStyle™ 200 Convertible and Integrated Flow Generator series**
  - greater pressure range, altitude adjustment, enhanced user ergonomics
  - patented Ambient Tracking™ plus auto-adjusting humidification technology
- **SleepStyle™ 600 Integrated Flow Generator series**
  - *ThermoSmart™* heated breathing tube technology
  - more humidity
  - reduced symptoms, increased comfort



# Mask Range

## Four interface categories:

- **FlexiFit™ Nasal Masks**
  - patented sliding attachment
  - FlexiFit™ technology
  - new 406 Petite model
- **FlexiFit™ Full Face Mask**
  - under chin seal
- **Oracle™ Oral Mask**
  - proprietary oral interface
- **Infinity™ Direct Nasal Mask**
  - very light



# OSA Update

- **53% mask and flow generator revenue growth in US\$**
- **34% total revenue growth in US\$**
- **Received CMS reimbursement for ThermoSmart tube**
- **Launching Vigor8 program**
- **Additional flow generators, masks in R&D pipeline**



# Neonatal and Warming

- **Radiant Warmers**
  - warmers required in delivery and NICU
  - precise and stable temperature control
  - opportunity in operating room
- **Infant CPAP System**
  - proprietary bubble CPAP, non-invasive, oscillating pressure
  - lower risk alternative to ventilation
  - high value consumable system
- **Infant Resuscitator System**
  - precise pressure control
  - consumable resuscitation kit



# Neonatal and Warming Update

- 24% revenue growth in US\$, 26% ex currency
- Warmers, CPAP and resuscitators all driving growth
- Single use resuscitation masks, O<sub>2</sub> nasal cannula introduced

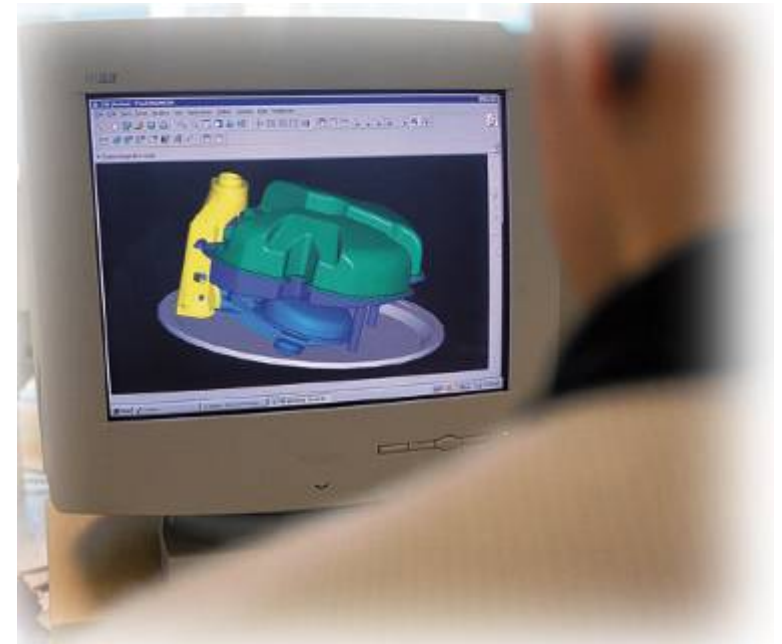




# Research & Development

- **190 engineers, scientists, physiologists**
- **6.0% of revenue FY06**
- **Product pipeline includes**
  - **Flow generators**
  - **Masks**
  - **Humidification system for COPD therapy**
  - **Respiratory consumables**
- **61 US patents, 71 US pending, 145 ROW, 236 ROW pending \***

\* at 31 Mar 2006



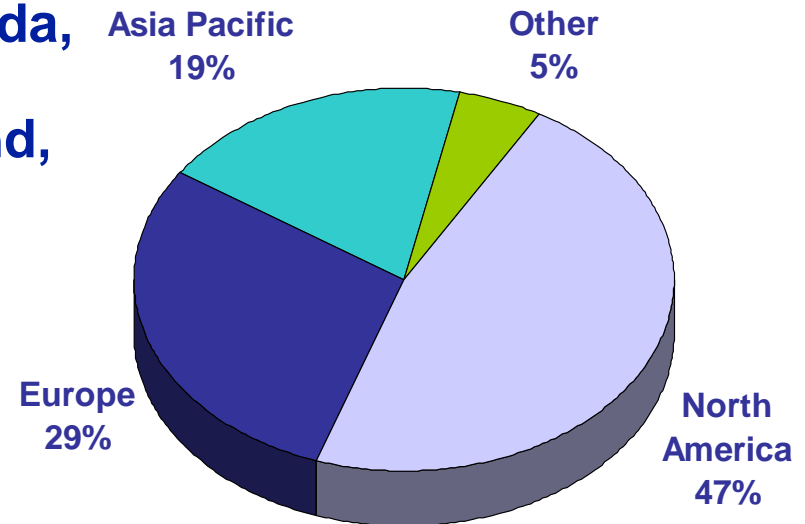
# Manufacturing

- **Vertically integrated**
  - electronics assembly
  - injection moulding
  - motor assembly
- **ISO 9001; Class 100,000 controlled environment**
- **Ample capacity to grow**
  - 300,000ft<sup>2</sup> / 28,000m<sup>2</sup> facility
  - 23,000m<sup>2</sup> building due for occupation July 2006
  - 100 acres / 40 ha



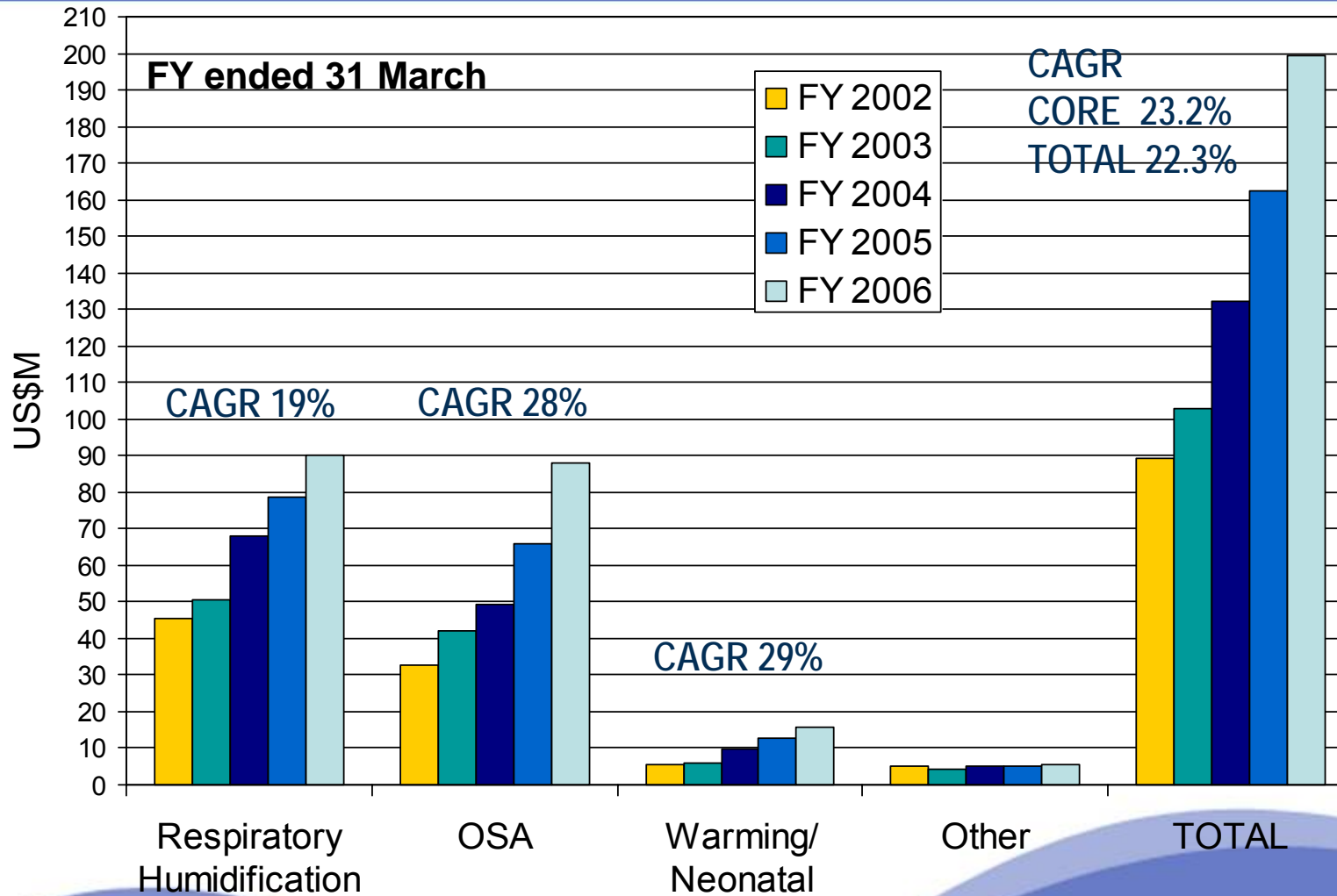
# Global Presence

- **Direct**
  - hospitals, home care dealers
  - Sales/support offices in USA/Canada, UK/Ireland, France/Benelux/Italy/Spain, Germany/Austria/Switzerland, India, Japan, UAE, China, Taiwan, Sweden, Brazil, Australia and NZ – 350+ staff
  - Ongoing international expansion
- **Distributors**
  - 100 distributors worldwide - 90 countries
- **Original Equipment Manufacturers**
  - supply most leading ventilator manufacturers



Revenue by Region  
12 months to 31 March 2006

# Revenue Growth US\$



# Balance Sheet

- **NZ\$28.5M cash at 31 March 2006**
- **Investing in capacity expansion with construction of NZ\$60M second building**
- **NZ\$7.0 cps final dividend**
- **NZ\$27M ongoing share buyback; NZ\$15.3M completed to date**
- **Expect debt to range NZ\$45M to NZ\$70M in FY07.**
- **NZ\$53M land revaluation gain**
- **53% annualised pre-tax return on average funds employed FY06 (48% FY05)**

# Growth Drivers

## Consistent strategy:

- **Continue to improve existing product lines**
- **Develop complementary products/ consumables**
- **Target new medical applications**
  - e.g. COPD, NIV, O<sub>2</sub> therapy, insufflation
- **Increase international presence**