Fisher & Paykel HEALTHCARE

News Release

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

FISHER & PAYKEL HEALTHCARE REPORTS HALF YEAR PROFIT UP 18%

Auckland, New Zealand, 22 November 2012 - Fisher & Paykel Healthcare Corporation Limited (NZSX:FPH, ASX:FPH) today reported net profit after tax of NZ$33.3 million for the six months ended 30 September 2012, an increase of 18% compared to the first half last year.

In constant currency terms, the company's operating profit grew 46%, primarily as a result of revenue growth, improved gross margins and operating efficiencies.

Operating revenue

Operating revenue was a record NZ$266.9 million, which was 6% above the same period last year, or 8% growth in constant currency terms.

The company's respiratory and acute care (RAC) product group operating revenue increased by 11% and obstructive sleep apnea (OSA) product group revenue increased by 3% in constant currency terms.

"Strong growth in our RAC product group was driven by ongoing growth in acceptance of our respiratory humidification systems which assist to improve patient care in a wide range of applications, including invasive ventilation, non-invasive ventilation, oxygen therapy and humidity therapy", commented Fisher & Paykel Healthcare's CEO, Mr Michael Daniell. "Growth in revenue from new applications beyond invasive ventilation was particularly encouraging, with consumables revenue from those increasing 20% in constant currency.

"In our OSA product group, revenue for our mask range grew 5% in constant currency terms, reflecting a ramp-up in growth during the half following the introduction of our new Pilairo nasal pillows and Eson nasal masks. Customer response to both masks has been very positive, with constant currency mask revenue growth of 11% in the second quarter. Revenue for our ICON flow generator range grew 5% in constant currency over the first half last year, offset by the expected decline in revenue from our legacy SleepStyle range."

Dividend

The company's directors have approved an interim dividend for the financial year ending 31 March 2013 of 5.4 NZ cents per ordinary share (2012: 5.4 cents), carrying full imputation. For New Zealand resident shareholders that equates to a gross dividend of 7.5 cents per ordinary share. Eligible non-resident shareholders will receive a supplementary dividend of 0.953 NZ cents per ordinary share. The interim dividend will be paid on 14 December 2012, with a record date of 30 November 2012 and ex-dividend dates of 26 November 2012 for the ASX and 28 November 2012 for the NZSX.

The company offers a dividend reinvestment plan (DRP), under which eligible shareholders may elect to reinvest all or part of their cash dividends in additional shares. A 3% discount will be applied when determining the price per share of shares issued under the DRP and will be applied in respect of the 2013 interim dividend and future dividends, until such time as the directors determine otherwise.

Research & Development, Selling, General & Administrative expenses

Research and development (R&D) expenses increased by 7% over the prior comparable period to NZ$21.3 million, representing 8% of operating revenue.

The company continued to expand its product and process research and development activities, and current new product projects include OSA masks, flow generators, humidifier systems and respiratory and acute care consumables.

Selling, general and administrative (SG&A) expenses increased 6% to NZ$77.0 million, or 7% in constant currency terms, as the company continued to expand its operations and its sales teams in the North America, Europe and Asia-Pacific regions. In September we acquired selected assets from our distributor in South Korea and established our own sales operation.

Capacity Expansion

During the half year, the company invested NZ$40.9 million in capital expenditure, which included equipment for increased manufacturing capacity, new product tooling, replacement equipment and NZ$27.4 million for construction of the third building on its Auckland site.

The increase in manufacturing of consumable products at the company's facility in Tijuana, Mexico continued, with an increasing quantity and range of the company's products now manufactured there.

Foreign Exchange Hedging

To protect the company from exchange rate volatility, the company had in place at 30 September 2012 a mix of foreign exchange contracts and collar options, up to five years forward, with a face value of approximately NZ$450 million. These instruments hedge the company's net exposure. At 30 September 2012, the company had in place for the second half of the 2013 financial year approximately 95% cover for the US dollar and approximately 89% cover for the Euro, at average rates of approximately 0.76 US dollars and 0.49 Euros to the New Zealand dollar.

Outlook for FY2013

"We expect constant currency revenue growth to increase further in the second half, as new products and applications continue to gain traction.

For the 2013 financial year, assuming current exchange rates for the remainder of the year, we expect our operating revenue to be in the range of NZ$545 million to NZ$555 million and net profit after tax to be in the range of NZ$69 million to NZ$72 million. That represents a three to four million dollar improvement on the guidance we provided at our Annual Shareholders' meeting in August", concluded Mr Daniell.

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 US dollar financial statement is non-conforming financial information, as defined by the NZ Financial Markets Authority.

The company's financial statements for the six months ended 30 September 2012 and the comparative financial information for the six months ended 30 September 2011 have been prepared under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

A constant currency analysis is also included. A constant currency income statement is prepared each month to enable the board and management to monitor and assess the company's underlying financial performance without any distortion from changes in foreign exchange rates. The constant currency data provided is an estimate of the changes in the main income statement items after excluding the impact of movements in foreign exchange rates, hedging results and balance sheet translations. The data is based on the NZ dollar income statements for the relevant periods which have all been restated at the budget foreign exchange rates for the 2013 financial year.

The constant currency analysis is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and track the company's financial performance without the impacts of spot foreign currency fluctuations and hedging results.

Half Year Results Conference Call

Fisher & Paykel Healthcare will host a conference call today to review these results and to discuss the outlook for the remainder of the 2013 financial year. The conference call is scheduled to begin at 10:00am NZDT, 8:00am AEDT (4:00pm USEST) and will be broadcast simultaneously over the Internet.

To listen to the webcast, access the company's website at 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 on the site for two weeks.

To attend the conference call, participants will need to dial in to one of the numbers below at least 5 minutes prior to the scheduled call time and identify yourself to the operator. When prompted, please quote the conference code of: **76732439**.

New Zealand Toll Free	0800 452 569	USA Toll Free	1866 242 1388
Australia Toll Free	1800 354 715	Hong Kong Toll Free	800 968831
United Kingdom Toll Free	0808 234 7860	International	+61 2 8823 6760

An audio replay of the conference call will be available approximately 2 hours after the call and will be accessible for two weeks by dialing one of the numbers below. When prompted please enter the conference code of: **76732439**.

New Zealand Toll Free	0800 445 136	USA Toll Free	1866 214 5335
Australia Toll Free	1800 766 700	Hong Kong Toll Free	800 901596
United Kingdom Toll Free	0800 731 7846	International	+61 2 8235 5000

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 our website www.fphcare.com.

Contact: Michael Daniell MD/CEO on +64 9 574 0161 or Tony Barclay CFO on +64 9 574 0119.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Unaudited Income Statements

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

	Six Months Ended 30 September		
	2011	**2012**	***% Change***
Operating revenue	251,977	266,940	*+6%*
Cost of sales	(119,603)	(121,982)	*+2%*
Gross profit	132,374	144,958	*+10%*
Gross margin	*52.5%*	*54.3%*	
Other income	1,200	1,200	
Selling, general and administrative expenses	(72,346)	(76,971)	*+6%*
Research and development expenses	(19,850)	(21,335)	*+7%*
Total operating expenses	(92,196)	(98,306)	*+7%*
Operating profit before financing costs	41,378	47,852	*+16%*
Operating margin	*16.4%*	*17.9%*	
Financing income	173	157	*-9%*
Financing expense	(2,578)	(1,667)	*-35%*
Exchange gain on foreign currency borrowings	1,376	861	*-37%*
Net financing (expense)	(1,029)	(649)	*-37%*
Profit before tax	40,349	47,203	*+17%*
Tax expense	(12,078)	(13,951)	*+16%*
Profit after tax	28,271	33,252	*+18%*
Basic earnings per share	5.4 cps	6.2 cps	*+15%*
Diluted earnings per share	5.2 cps	6.0 cps	*+15%*
Weighted average basic shares outstanding	522,918,159	534,016,461	
Weighted average diluted shares outstanding	542,985,967	555,427,041	

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Unaudited Operating Revenue
(In thousands of dollars)

	Six Months Ended 30 September					
	NZ dollars			US dollars		
	2011	**2012**	***% Change***	**2011**	**2012**	***% Change***
Respiratory and acute care products	131,380	142,938	*+9%*	107,273	114,293	*+7%*
OSA products	113,597	114,217	*+1%*	92,751	91,328	*-2%*
Core products sub-total	244,977	257,155	*+5%*	200,024	205,621	*+3%*
Distributed and other products	7,000	9,785	*+40%*	5,715	7,824	*+37%*
Total operating revenue	$251,977	$266,940	*+6%*	$205,739	$213,445	*+4%*

Unaudited Condensed Balance Sheets
(In thousands of NZ dollars)

	As at 30 September	
	2011	**2012**
Cash and cash equivalents	7,523	5,055
Trade and other receivables	82,093	79,112
Inventories	83,354	94,346
Other current assets	24,632	32,377
Total current assets	197,602	210,890
Property, plant and equipment	271,063	339,324
Other non-current assets	55,199	62,782
Total assets	523,864	612,996
Current liabilities	85,083	160,109
Non-current liabilities	129,095	99,270
Shareholders’ equity	309,686	353,617
Total liabilities and shareholders’ equity	523,864	612,996

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

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

	Six Months Ended 30 September	
	2011	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	249,722	257,393
Receipts from derivative financial instruments monetised	20,597	-
Interest received	133	156
Payments to suppliers and employees	(211,268)	(213,253)
Tax paid	(14,294)	(10,489)
Interest paid	(1,804)	(1,515)
Net cash flows from operations	43,086	32,292
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Net purchase of property, plant and equipment	(26,262)	(38,898)
Purchases of intangible assets	(1,057)	(2,018)
Net cash flows (used in) investing activities	(27,319)	(40,916)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Employee share purchase schemes	161	226
Issue of share capital	12,926	14,612
New borrowings	23,520	33,149
Repayment of borrowings	(11,161)	(5,223)
Dividends paid	(39,447)	(39,956)
Net cash flows from (used in) financing activities	(14,001)	2,808
Net increase (decrease) in cash	1,766	(5,816)
Opening cash	(11,000)	(8,405)
Effect of foreign exchange rates	189	418
Closing cash	(9,045)	(13,803)
RECONCILIATION OF CLOSING CASH		
Cash and cash equivalents	7,523	5,055
Bank overdrafts	(16,568)	(18,858)
Closing cash	(9,045)	(13,803)

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Unaudited Income Statements

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

	Six Months Ended 30 September		
	2011	**2012**	***% Change***
Operating revenue	205,739	213,445	*+4%*
Cost of sales	(97,656)	(97,537)	*0%*
Gross profit	108,083	115,908	*+7%*
Gross margin	*52.5%*	*54.3%*	
Other income	980	960	
Selling, general and administrative expenses	(59,070)	(61,546)	*+4%*
Research and development expenses	(16,208)	(17,059)	*+5%*
Total operating expenses	(75,278)	(78,605)	*+4%*
Operating profit before financing costs	33,785	38,263	*+13%*
Operating margin	*16.4%*	*17.9%*	
Financing income	141	126	*-11%*
Financing expense	(2,105)	(1,333)	*-37%*
Exchange gain on foreign currency borrowings	1,124	688	*-39%*
Net financing (expense)	(840)	(519)	*-38%*
Profit before tax	32,945	37,744	*+15%*
Tax expense	(9,862)	(11,155)	*+13%*
Profit after tax	23,083	26,589	*+15%*
Basic earnings per share	4.4 cps	5.0 cps	*+14%*
Diluted earnings per share	4.3 cps	4.8 cps	*+12%*
Weighted average basic shares outstanding	522,918,159	534,016,461	
Weighted average diluted shares outstanding	542,985,967	555,427,041	

Half Year Review

Providing medical devices which help to improve patient care and outcomes remains fundamental to our consistent long-term growth strategy. We continue to expand our range of innovative products, develop opportunities to serve additional patient groups and increase our international presence.

Financial results

Our net profit after tax increased 18% to NZ$33.3 million compared to NZ$28.3 million for the first half last year. The strong increase in net profit was a result of robust revenue growth, gross margin expansion, disciplined control of expenses and other operational efficiencies. In constant currency terms, operating profit increased a very encouraging *46%*[1].

Total operating revenue grew 6% to a record NZ$266.9 million, or *8%* growth in constant currency, with good progress in both our respiratory and acute care (RAC) product group and obstructive sleep apnea (OSA) product group.

Your directors have approved an interim dividend for the financial year ending 31 March 2013 of 5.4 NZ cents per ordinary share (2012: 5.4 cents), carrying full imputation credit. For New Zealand resident shareholders that equates to a gross dividend of 7.5 cents per ordinary share. Eligible non-resident shareholders will receive a supplementary dividend of 0.953 NZ cents per ordinary share. The interim dividend will be paid on 14 December 2012, with a record date of 30 November 2012 and ex-dividend dates of 26 November 2012 for the ASX and 28 November 2012 for the NZSX.

We continue to offer a dividend reinvestment plan (DRP), under which eligible shareholders may elect to reinvest all or part of their cash dividends in additional shares. Consistent with past practice, a 3% discount will be applied when determining the price per share of shares issued under the DRP and will be applied in respect of the 2013 interim dividend and future dividends, until such time as the directors determine otherwise.

Respiratory & Acute Care

Warming and humidification of the gases delivered during mechanical ventilation or oxygen therapy reproduces the normal functioning of the nose and upper airways and reduces airway moisture loss and the occurrence of adverse side effects. Our leading heated humidifier and respiratory care systems assist patient care in a variety of medical conditions that interfere with normal respiration. Our products can help to reduce escalation of care, length of hospital stay and the overall cost of care.

Our systems include humidifier controllers, chambers, breathing circuits that convey medical gases to and from the patient, interfaces, Optiflow™ oxygen therapy systems and neonatal respiratory care devices. We also offer humidification systems that humidify the cold, dry carbon dioxide gas used during laparoscopic surgery and some open surgical procedures.

Demand for our RAC humidifier controllers and consumables continued to be strong during the first half and resulted in RAC product group operating revenue of NZ$142.9 million, up 9% on the same period last year, or *11%* in constant currency.

We are pursuing opportunities to increase the number of patients our devices can assist, by expanding from our traditional intensive care ventilation market into non-invasive ventilation,

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[1] Constant currency data excludes the impact of movements in foreign exchange rates and hedging results. References to constant currency amounts or percentages are stated in italics.

oxygen therapy, humidity therapy, neonatal respiratory care and surgery. We continued to make very good progress, with consumables revenue derived from those new applications growing *20*% in constant currency.

Obstructive Sleep Apnea

OSA is a very prevalent condition that causes excessive daytime fatigue, is associated with cardiovascular disease and strokes, and is directly linked to hypertension. In fact, tens of millions of people worldwide who have untreated OSA stop breathing for short periods many times each night while they are asleep.

Continuous positive airway pressure (CPAP) therapy is the most common treatment for OSA. CPAP therapy prevents the collapse and blockage of the airway during periods of deep sleep and is delivered using an air flow generator, humidifier, tubing and mask.

Our OSA product group operating revenue was NZ$114.2 million for the six months, representing *3*% growth in constant currency terms. For our mask range, constant currency revenue growth of *5*% reflected a ramp-up in growth during the half, following the introduction of our new Pilairo™ nasal pillows and Eson™ nasal masks. Customer response to both masks has been extremely positive, with constant currency mask revenue growth of *11*% in the second quarter.

Revenue for our ICON™ flow generator range grew *5*% in constant currency over the first half last year, offset by the expected decline in revenue from our legacy SleepStyle™ range. The ICON product range integrates our leading technologies into stylish, compact and intelligent devices to deliver a better night's sleep for people with OSA. We expect growth in ICON sales to increase, following the recent introduction of our SensAwake™ Responsive Pressure Relief technology into our mid-range ICON Premo model.

Research and Development

Investment in research and development continues to be fundamental to increasing our opportunities for growth and to ensuring that we can offer devices which can improve patient care and outcomes.

Our research and development expenditure grew 7% compared with the same period last year to NZ$21.3 million, representing 8% of operating revenue.

Over the half we have again been busy with new product introductions, which have included the new masks already mentioned above.

We have continued the roll-out of new adult and infant breathing circuits, which incorporate our unique Evaqua™ 2 technology for condensate control and have begun the introduction of Optiflow Junior.

Optiflow Junior delivers humidified oxygen via the nose to babies suffering from breathing difficulties, and reflects our ongoing commitment to develop innovative medical devices that improve patient care and outcomes. Judges at the recent Designers Institute of New Zealand Best Design Awards commented that Optiflow Junior was an "exceptional piece of design work that demonstrates the power of a high-level human-centred approach to design underpinned by significant 'upfront' research, design insights and technical development work… it demonstrates leadership in the field, and revolutionises the care of seriously ill infants".

The second generation of our AIRVO™ and myAIRVO™ systems for Optiflow humidification and oxygen therapy has been introduced to a number of countries with a very positive initial response from customers.

We continue to have a substantial new product pipeline under development, which includes additional masks, breathing system consumables, flow generators and humidifier systems.

International Sales

North America generated 44% of our operating revenue for the half year, with Europe 32% and Asia/Pacific and Other 24%.

We have continued to expand our international sales, marketing and operations teams to increase our geographical coverage and to support ongoing growth. In September we acquired selected assets from our distributor in South Korea and established our own sales operation. We have sales offices or sales support staff located in 32 countries.

Selling, general and administrative (SG&A) expenses increased 6% to NZ$77.0 million, an increase of 7% in constant currency terms. Productivity gains resulted in constant currency SG&A expense growth below both revenue and gross profit growth.

Our operating revenue was generated in a variety of currencies, with our products sold in more than 120 countries in total. US dollars contributed 51% of operating revenue, Euros 22%, Australian dollars 7%, Japanese yen 5%, Canadian dollars 4%, British pounds 4%, New Zealand dollars 2%, and other currencies 5%. The proportion of our operating revenue derived in US dollars continued to decrease, as we expanded our direct sales activities in a number of countries.

Capacity Expansion

Construction of the 31,000m^2 third building on our Auckland site has been completed. The new facility provides increased research and development, laboratory, office, manufacturing and warehouse space and will accommodate the capacity to more than double our New Zealand-based research, development, marketing and clinical activities over time.

The increase in manufacturing of consumable products at our facility in Tijuana, Mexico is progressing, with more than 25% of our high volume consumables now manufactured there. Our Mexico facility provides both geographic diversity and substantial manufacturing and logistics cost savings.

Governance

As part of our ongoing board refreshment process, Donal O'Dwyer, who has over 25 years' experience as a senior executive and director in the global medical device industry, has been appointed as an additional independent non-executive director of the company effective 1 December 2012. Gary Paykel and Dr. Nigel Evans indicated at our Annual Shareholders' Meeting (ASM) in August that they intend to retire from the Board following the ASM next year. We have made this appointment ahead of the planned retirements to ensure a smooth transition.

Half Year Results Commentary

Net profit after tax was NZ$33.3 million for the six months ended 30 September 2012, an increase of 18% compared to the prior corresponding period net profit after tax of NZ$28.3 million. The increase in the half year net profit after tax reflects revenue growth, gross margin expansion, disciplined control of expenses and other operational efficiencies. In constant currency terms, operating profit increased *46%*. This positive result was partially offset by the appreciation of the NZ dollar against most major currencies.

Operating revenue was a record NZ$266.9 million, 6% above the same period last year, or *8%* in constant currency terms. The company's respiratory and acute care product group (RAC) operating revenue increased by *11*% and obstructive sleep apnea (OSA) product group revenue increased by *3*% over the prior comparable period, in constant currency terms,

Strong growth in the RAC product group was driven by ongoing growth in acceptance of products which are used in applications outside of intensive care ventilation, including non-invasive ventilation, oxygen therapy and humidity therapy.

In the OSA product group, mask constant currency revenue growth of *5*% reflected a ramp-up in growth during the half, due to the introduction of the new Pilairo nasal pillows and Eson nasal masks. Revenue for the ICON flow generator range grew *5*% in constant currency over the first half last year, offset by a decline in revenue from the SleepStyle flow generator range.

The company's financial statements for the for the six months ended 30 September 2012 and the comparative financial information for the six months ended 30 September 2011 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The directors have approved an interim dividend of NZD 5.4 cents per ordinary share carrying a full imputation credit of 2.1 cents per share (100% imputed based on a 28% tax rate). Non-resident shareholders will receive a supplementary dividend of NZD 0.9529 cents per share. The interim dividend will be paid on 14 December 2012, with a record date of 30 November 2012 and an ex-dividend date of 26 November 2012 for the ASX and 28 November 2012 for the NZSX.

The company offers eligible shareholders the opportunity to receive ordinary shares rather than cash under the Dividend Reinvestment Plan (DRP). The directors have maintained a discount on the DRP of 3% to encourage shareholders to take up the offer as part of the company's plan to build shareholders' funds.

In May 2010 the directors reviewed the company's capital structure and determined that the company needed to progressively increase its shareholders' funds, to ensure that it has capacity to continue to implement its foreign currency hedging policy as the company grows.

A target debt to debt plus equity ratio of 5% to 15% (excluding unrealised financial instrument gains or losses) was established. The directors expect that, subject to earnings performance, the dividend will be maintained in real terms until such time as the target capital structure is achieved. Longer term, the directors expect that a dividend payout ratio of greater than 60% will be appropriate to maintain target gearing.

The directors have maintained the dividend payment for the first half at 5.4 cps on the basis that the interim dividend equates to 87% of net profit after tax.

Financial Performance

The following table sets out the consolidated statement of financial performance for the six months ended 30 September 2011 and 2012 in New Zealand dollars:

	Six months ended 30 September	
	2011 NZ$000's	**2012 NZ$000's**
Operating revenue	**251,977**	**266,940**
Cost of sales	119,603	121,982
Gross profit	132,374	144,958
Gross margin	**52.5%**	**54.3%**
Other income	1,200	1,200
Selling, general and administrative expenses	72,346	76,971
Research and development expenses	19,850	21,335
Total operating expenses	92,196	98,306
Operating profit before financing costs	**41,378**	**47,852**
Operating margin	**16.4%**	**17.9%**
Net financing expense	1,029	649
Profit before tax	**40,349**	**47,203**
Tax expense	12,078	13,951
Profit after tax	**28,271**	**33,252**

Foreign Exchange Effects

The company is exposed to movements in foreign exchange rates, with approximately 51% of operating revenue generated in US dollars, 22% in Euros, 7% in Australian dollars, 5% in Japanese yen, 4% in British pounds, 4% in Canadian dollars, 2% in New Zealand dollars and 5% in other currencies.

As the number of direct sales operations increases, an increasing proportion of the company's revenue is generated in local currencies, reducing operating revenue exposure to the US dollar. In the first half of the current year the proportion of revenue which was generated in US dollars has reduced from 52% to 51%. The company's cost base is also becoming more diverse, as manufacturing output from Mexico increases.

Exchange rates between the New Zealand dollar and the currencies in which the company receive revenue remained elevated during the period, with the New Zealand dollar appreciating substantially against the Euro when compared to the same period last year. Foreign exchange hedging gains contributed NZ$21.2 million (2011: NZ$22.2 million) to operating profit.

The average daily spot rate and the average effective exchange rate (i.e. the accounting rate, incorporating the benefit of forward exchange contracts entered into by the company in respect of the relevant financial year) of the main foreign currency exposures for the six months ended 30 September 2011 and 2012 are set out in the table below:

	Average Daily Spot Rate		**Average Effective Exchange Rate**	
	Six months ended 30 September		**Six months ended 30 September**	
	2011	**2012**	**2011**	**2012**
USD	0.8165	0.7996	0.6761	0.6818
EUR	0.5728	0.6313	0.4871	0.5118

The effect of balance sheet translations of offshore assets and liabilities for the six months ended 30 September 2012 resulted in a reduction in operating revenue of NZ$1.2 million (2011: NZ$1.3 million) and a reduction in operating profit of NZ$1.4 million (2011: NZ$1.5 million).

Constant Currency Analysis

A constant currency income statement is prepared each month to enable the board and management to monitor and assess the company's underlying financial performance without any distortion from changes in foreign exchange rates. The table below provides estimated NZ dollar income statements for the relevant periods, which have all been restated at the budget foreign exchange rates for the 2013 financial year but after excluding the impact of movements in foreign exchange rates, hedging results and balance sheet translations.

This constant currency analysis is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the company's financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each half year.

Constant Currency Income Statements (Unaudited)	**Six months ended 30 September 2010**	**Six months ended 30 September 2011**	**Variation 2010 to 2011**	**Six months ended 30 September 2012**	**Variation 2011 to 2012**
	NZ$000	**NZ$000**	**%**	**NZ$000**	**%**
Operating revenue	***206,718***	***229,049***	***+11***	***247,454***	***+8***
Cost of sales	*105,417*	*118,614*	*+13*	*121,387*	*+2*
Gross profit	*101,301*	*110,435*	*+9*	*126,067*	*+14*
Other income	-	*1,200*	-	*1,200*	-
Selling, general and administrative expenses	*70,309*	*72,210*	*+3*	*77,437*	*+7*
Research & development expenses	*18,558*	*19,850*	*+7*	*21,335*	*+7*
Total operating expenses	*88,867*	*92,060*	*+4*	*98,772*	*+7*
Operating profit	***12,434***	***19,575***	***+57***	***28,495***	***+46***
Financing expenses (net)	*2,204*	*2,237*	*+1*	*1,514*	*-32*
Profit before tax	***10,230***	***17,338***	***+69***	***26,981***	***+56***

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the for the year ending 31 March 2013, are USD 0.80, EUR 0.62, AUD 0.77, GBP 0.52, CAD 0.82, JPY 63 and MXN 10.60.

In constant currency terms, operating revenue increased by *8%* and operating profit increased by *46%* for the six months, due to operating leverage generated from disciplined expense control, positive contributions from Mexico manufacturing, other logistics benefits and from direct sales operations established over the past few years.

A reconciliation of the constant currency income statements above to the actual income statements for each half year is provided below.

Reconciliation of Constant Currency to Actual Income Statements (Unaudited)	**Six months ended 30 September**		
	2010	**2011**	**2012**
	NZ$000	**NZ$000**	**NZ$000**
Profit before tax (constant currency)	***10,230***	***17,338***	***26,981***
Spot exchange rate effect	15,025	1,156	(421)
Foreign exchange hedging result	16,488	22,150	21,212
Balance sheet revaluation	(368)	(295)	(569)
Profit before tax (as reported)	**41,375**	**40,349**	**47,203**

The reconciliation set out above illustrates that, when comparing the NZ dollar profit before tax shown in the actual income statement for the half year to 30 September 2012 with the corresponding period for the prior year:

- The movement in average daily spot exchange rates had an adverse impact of $1.6m; and
- The benefit from the company's foreign exchange hedging activities, while very substantial, was lower by $0.9m; and
- The adverse impact from the revaluation of assets and liabilities held overseas was $0.3m; and
- Overall, the net adverse effect of movements in exchange rates and the hedging programme was $2.8m.

Operating revenue

Operating revenue increased by 6% to NZ$266.9 million for the six months ended 30 September 2012 from NZ$252.0 million for the six months ended 30 September 2011, principally due to increased sales volume.

The following table sets out operating revenue by product group for the six months ended 30 September 2011 and 2012:

	Six months ended 30 September	
	2011	**2012**
	NZ$000's	**NZ$000's**
Respiratory and acute care products	131,380	142,938
OSA products	113,597	114,217
Core products sub-total	244,977	257,155
Distributed and other products	7,000	9,785
Total	**$251,977**	**$266,940**

Underlying growth in demand for respiratory humidification systems was strong throughout the first six months. This resulted in total operating revenue of NZ$142.9 million for the respiratory and acute care product group, being growth of 9% in NZ dollars, and *11*% in constant currency terms, compared with the corresponding period last year.

Expansion of the application of products and technologies to the care of patients beyond the company's traditional invasive ventilation market continued, with an increasing proportion of consumables revenue coming from devices used in non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic surgery. Constant currency revenue for these new applications grew *20%* for the six months ended 30 September 2012 and in total represented 36% of respiratory and acute care consumables revenue.

Very strong revenue growth in consumables and accessories was supported by strong growth in demand for humidifier controllers despite the current international economic climate.

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

OSA product group operating revenue increased 1% to NZ$114.2 million, and *3%* in constant currency terms for the six months. Constant currency mask revenue grew *5%* for the first six months, and increased *11%* in the second quarter as the new Pilairo and Eson masks gained market share. ICON flow generator revenue grew *5%* in constant currency, over the first six months, however sales of the Sleepstyle flow generators declined as expected, resulting in constant currency flow generator operating revenue declining by *2%*.

Sales of respiratory and acute care products represented 52% and 54% of operating revenue for the six months ended 30 September 2011 and 2012 respectively. Sales of OSA products represented 45% and 43% of operating revenue for the first six months ended 30 September 2011 and 2012 respectively. Sales of consumable and accessory products for core products accounted for approximately 74% and 76% of operating revenue for the six months ended 30 September 2011 and 2012 respectively.

The following table sets out operating revenue for each of our regional markets for the six months ended 30 September 2011 and 2012:

	Six months ended 30 September	
	2011 NZ$000's	**2012 NZ$000's**
North America	114,949	116,644
Europe	81,220	84,629
Asia Pacific	45,235	52,055
Other	10,573	13,612
Total	**$251,977**	**$266,940**

The breakdown of revenue presented above is based on the geographical location of the customer and is inclusive of foreign exchange gains.

Expenses

Research and development activities are primarily conducted in New Zealand. Research and development expenses totalled NZ$21.3 million for the six months ended 30 September 2012 compared to NZ$19.9 million in the corresponding period last financial year. The increase was attributable to increases in research and development personnel and costs in connection with the continuing expansion of product and process development activities for the respiratory and acute care and OSA product groups. A number of new products have recently been released to the market, with more to follow during the balance of the 2013 financial year. Research and development expenses represented 8.0% of operating revenue for the six months ended 30 September 2012.

Research and development expenses are expected to continue to increase broadly in line with constant currency revenue growth.

Selling, general and administrative expenses increased by 6% to NZ$77.0 million for the six months ended 30 September 2012 compared to NZ$72.3 million in the corresponding period last financial year. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities. In constant currency terms selling, general and administrative expenses have increased by *7%* for the six months ended 30 September 2012.

Gross Profit

Gross profit increased to NZ$145.0 million, or 54.3% of operating revenue, for the six months ended 30 September 2012 from NZ$132.4 million, or 52.5% of operating revenue, in the six months ended 30 September 2011. Constant currency gross margin percentage increased due to a number of factors, including positive RAC and OSA product mixes, logistics and manufacturing improvements, including the contribution from our Mexico manufacturing facility.

Operating profit

Operating profit increased by 16% to NZ$47.9 million for the six months ended 30 September 2012 from NZ$41.4 million for the six months ended 30 September 2011.

In constant currency terms, operating profit increased by *46%.*

Balance Sheet

Gearing[2] at 30 September was 31.5%, higher than the 26.4% gearing at 31 March 2012. The increase in gearing relates to the increase in capital expenditure in relation to the construction of the third building on the company's Auckland site. Capital expenditure in relation to the new building is substantially complete and gearing is expected to track towards our target range over coming years.

The gearing figure remains above the target range of 5% to 15%. As previously noted the directors intend to ensure that the company progressively moves its gearing into the target range, subject to exchange rate movements, profitability and dividend payout.

Funding

The company had total available committed debt funding of $193 million as at 30 September 2012, of which approximately $54 million was undrawn, and cash on hand of $5 million. Bank debt facilities provide all available funding given the modest level of requirements. Over the next 12 months $73 million of debt facilities will mature. Replacement facilities have been secured as of 1 November 2012. As at 1 November 2012, the weighted average maturity of borrowing facilities will be 3.2 years (excluding the facilities maturing in December 2012).

Debt maturity

The average maturity of the debt of $128 million was 1.1 years and the currency split was 70% New Zealand dollars; 14% US dollars; 11% Euros; 3% Australian dollars and 2% Canadian dollars.

Interest rates

Approximately 62% of all borrowings were at fixed interest rates with an average duration of 5.3 years and an average rate of 5.9%. Inclusive of floating rate borrowings the average interest rate on the debt is currently 4.9%. All interest rates are inclusive of margins but not fees.

Interest coverage for the period was 18 times and the group remains in a sound financial position.

The interest coverage for the period included interest capitalised to the new building project of $2.0 million for the period compared to $0.7 million for the corresponding period last year.

Cashflow

Cashflow from operations was $32.3 million compared with $43.1 million for the six months ended 30 September 2011. The reduction was mainly related to the monetisation of USD forward exchange contracts in the first half of the 2012 financial year. Underlying cashflow from operations was positive and broadly in line with the operating profit improvement.

Capital expenditure for the period was $40.9 million compared with $27.3 million in the prior corresponding period. Of this total, $27.4 million was for the new building project on our East Tamaki, Auckland site, and the balance related predominantly to new product tooling and manufacturing equipment.

Dividend

The directors have approved an interim dividend for the financial year ending 31 March 2013 of NZ5.4 cents per ordinary share (2011: NZ5.4 cents), and will be fully imputed at a rate of 28%.

The interim dividend will be paid on 14 December 2012, with a record date of 30 November 2012 and an ex-dividend date of 26 November 2012 for the ASX and 28 November 2012 for the NZSX.

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[2] Net interest-bearing debt (debt less cash and cash equivalents) to net interest-bearing debt and equity (less cash flow hedge reserve - unrealised).

Dividend reinvestment plan

The dividend reinvestment plan is being offered for this dividend payment.

A 3% discount will be applied to shares issued under the plan.

Financial highlights

Unaudited	Six months ended 30 September	
	2011	2012
Pre-tax return on average shareholders' equity (annualised)	25.9%	26.9%
Earnings per share (cents)	5.4	6.2
Dividends (interim proposed) per share (cents)	5.4	5.4
Gearing	27.2%	31.5%
Interest cover (times)	23.7	18.3

Foreign Exchange Hedging Position

The hedging position for our main exposures, the US dollar and Euro, as at the date of this report is:

	Six months to 31 March	Year to 31 March		
	2013	2014	2015	2016
USD % cover of expected exposure	95%	45%	11%	0%
USD average rate of cover	0.76	0.74	0.74	-
USD Close-out value to Income Statement (NZD000's)[3]	$9,930	$21,291	$0	$0
EUR % cover of expected exposure	95%	56%	36%	5%
EUR average rate of cover	0.51	0.43	0.41	0.37

[3] Foreign currency hedging gains to be released to the Income Statement from the Cash Flow Reserve - Realised from previously monetised USD forward exchange contracts.