Fisher & Paykel HEALTHCARE

News Release

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

FISHER & PAYKEL HEALTHCARE REPORTS RECORD ANNUAL RESULT, NET PROFIT UP 18%

Auckland, New Zealand, 22 May 2017 - Fisher & Paykel Healthcare Corporation Limited today reported record net profit after tax of NZ$169.2 million for the year ended 31 March 2017, an increase of 18% over the previous year. Operating revenue was a record NZ$894.4 million, 10% above the prior year or 14% growth in constant currency.

Chief Executive Officer Lewis Gradon said, “This is a strong result. We continue to benefit from the increasing adoption of our products by healthcare providers as they strive to improve the effectiveness and efficiency of care for their patients in both hospital and homecare environments.”

The company’s directors have approved an increased fully imputed final dividend of 11.25 cents per share, taking the total dividends for the year to 19.5 cents per share, an increase of 17% on the previous year.

Both major product groups, Hospital and Homecare, delivered record operating revenue results. Hospital product group revenue grew 15% to NZ$500.4 million, or 19% growth in constant currency, and Homecare product group revenue grew 4% to NZ$381.5 million, or 8% growth in constant currency.

“We are pleased with our performance in both the hospital and homecare settings,” said Mr Gradon. “Growth in our Hospital product group was driven largely by new applications, which include nasal high flow, surgical and non-invasive therapies. Revenue growth from consumables used in new applications was a robust 24%, or 29% in constant currency for the year. This performance was supported by strong clinical and economic data demonstrating the benefits of our therapies and products.

“In the Homecare product group, our masks continue to perform well, with 9% revenue growth or 13% in constant currency, compared to the previous year. The new F&P Brevida nasal pillows mask, which was launched in August, is already showing great results in the markets where it is available. Our myAirvo home respiratory system is also growing strongly, building from our market-leading position in hospital humidification.”

Gross margin increased by 205 basis points during the financial year due to a favourable product mix and increased volume from the Mexican manufacturing facility. In Tijuana, Mexico, the company has now completed the purchase of a 15 hectare greenfield site and has commenced earthworks on the new facility. “We expect this building to be complete by early 2018, and it will be used to support manufacturing growth over the next five years, able to supply our global markets.”

The company’s investment in R&D continued, with expenses growing by 17% to NZ$86 million, representing 9.6% of operating revenue. “We are committed to continuous product improvement, and this investment has seen the introduction of a number of innovative products over the financial year, with a substantial pipeline of new products to come.”

The company has provided an update on its patent litigation proceedings with ResMed on page 67 of its annual report and disclosed that it has incurred litigation related expenses of $20.7 million in the 2017 financial year. “We recognise that this is a significant cost and did not enter into litigation lightly. We have been providing unique solutions for patients for more than 45 years and we take pride in our proprietary technology. We also respect the valid intellectual property rights of others and we are confident in our position,” said Mr Gradon.

The increased final dividend of 11.25 cents per share, carrying full New Zealand imputation credit, will be paid on 7 July 2017. The dividend reinvestment plan (DRP), under which eligible shareholders can elect to reinvest all or part of their cash dividends in additional shares, will again be made available in respect of the 2017 final dividend. The DRP will be offered without a discount in respect of the 2017 final dividend payment.

Outlook for FY2018

"We are well placed to meet the growing global demand for our products. We have a consistent, well proven strategy for delivering sustainable, profitable growth. At current exchange rates we expect full year operating revenue for the 2018 financial year to be approximately NZ$1 billion and net profit after tax to be approximately NZ$180 million to NZ$190 million" concluded Mr Gradon.

Full Year Result highlights:

- 18% growth in net profit after tax to a record NZ$169.2 million.
- 13% increase in final dividend to 11.25 cps (2015: 10.0 cps).
- 10% growth in operating revenue to a record NZ$894.4 million, 14% growth in constant currency.
- 15% growth in Hospital operating revenue, 19% growth in constant currency.
- Revenue growth of 29% in constant currency for consumables used in noninvasive ventilation, Optiflow nasal high flow therapy and surgical applications, accounting for 54% of Hospital consumables revenue.
- 4% growth in Homecare operating revenue, 8% growth in constant currency.
- Strong performance from OSA masks, 13% revenue growth in constant currency.
- Gross margin improvement of 205 basis points for the full year, 206 basis points in constant currency.
- Investment in R&D increased by 17% to NZ$86 million, representing 9.6% of operating revenue.
- 86% of the company's revenue generated from recurring items, such as consumables and accessories.

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, surgery 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.

Ends

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Accompanying Documents

Please find attached to this news release the following additional documents:

- Results in Brief
- Annual Report 2017, including financial commentary and constant currency analysis
- Annual Review 2017
- Corporate Governance Statement
- Appendix 1
- Appendix 7
- Section 209 notice

The 2017 Annual Report and Annual Review will be available online at www.fphcare.com/2017annualreport and the Corporate Governance statement will be available at www.fphcare.com/corporategovernance.

Constant Currency Information

Constant currency information included within this news release 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 comparative financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each year. A constant currency analysis is included on page 35 of the company's Annual Report 2017 and the company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

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 2018 financial year. The conference call is scheduled to begin at 10:00am NZST, 8:00am AEST (6:00pm USEDT) and will be broadcast simultaneously over the internet.

To listen to the webcast, access the company's website at www.fphcare.com/investor. 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: **7802125**.

New Zealand Toll Free	0800 423 970	USA Toll Free	800 263 0877
Australia Toll Free	1800 573 793	Hong Kong Toll Free	800 961 105
United Kingdom Toll Free	0800 358 6377	International	+64 9 913 3622

Results in Brief

	Year Ended 31 March 2016 NZ$000 (except as otherwise stated)	Year Ended 31 March 2017 NZ$000 (except as otherwise stated)	% Change
FINANCIAL PERFORMANCE			
Total operating revenue	**815,488**	**894,410**	**+10%**
Cost of sales	(293,840)	(303,980)	+3%
Gross profit	521,648	590,430	+13%
Gross margin	64.0%	66.0%	+205bps
Other income	5,000	5,000	-
Selling, general and administrative expenses	(242,279)	(269,311)	+11%
Research and development expenses	(73,288)	(86,001)	+17%
R&D percentage of operating revenue	9.0%	9.6%	
Total operating expenses	**(315,567)**	**(355,312)**	**+13%**
Operating profit before financing costs	211,081	240,118	+14%
Operating margin	25.9%	26.8%	+96bps
Net financing (expense)	(10,251)	(1,674)	-84%
Profit before tax	200,830	238,444	+19%
Tax expense	(57,405)	(69,292)	+21%
Profit after tax	**143,425**	**169,152**	**+18%**
Revenue by Region:			
North America	385,860	435,411	+13%
Europe	253,718	271,996	+7%
Asia Pacific	142,624	154,813	+9%
Other	33,286	32,190	-3%
Total	**815,488**	**894,410**	**+10%**
Revenue by Product Group:			
Hospital	436,324	500,447	+15%
Homecare	365,758	381,459	+4%
Core products sub-total	802,082	881,906	+10%
Distributed and other	13,406	12,504	-7%
Total	**815,488**	**894,410**	**+10%**
FINANCIAL POSITION			
Tangible assets	667,543	755,546	
Intangible assets	99,260	122,645	
Total assets	766,803	878,191	
Total liabilities	(225,134)	(216,566)	
Shareholders' equity	**541,669**	**661,625**	
Gearing	7.7%	0.0%	
Net tangible asset backing (cents per share)	86.3	105.6	

Results in Brief (continued)

	Year Ended 31 March 2016 NZ$000 (except as otherwise stated)	Year Ended 31 March 2017 NZ$000 (except as otherwise stated)	% Change
CASH FLOWS			
Net cash flow from operating activities	144,574	193,568	
Net cash flow (used in) investing activities	(65,715)	(62,878)	
Net cash flow (used in) financing activities	(74,674)	(87,785)	
SHARES OUTSTANDING			
Weighted average basic shares outstanding	561,036,045	566,124,701	
Weighted average diluted shares outstanding	572,037,753	574,339,178	
Basic shares outstanding at year end	563,841,265	567,686,436	
DIVIDENDS AND EARNINGS PER SHARE			
Dividends per share (cents)	16.7	19.5	+17%
Basic earnings per share (cents)	25.6	29.9	+17%

Constant Currency Analysis

CONSTANT CURRENCY INCOME STATEMENTS	Year Ended 31 March 2016 NZ$000	Year Ended 31 March 2017 NZ$000	% Change
Total operating revenue	**807,785**	**918,723**	**+14%**
Cost of sales	(292,496)	(313,724)	+7%
Gross profit	515,289	604,999	+17%
Gross margin	63.8%	65.9%	+206bps
Other income	5,000	5,000	-
Selling, general and administrative expenses	(241,339)	(279,493)	+16%
Research and development expenses	(73,288)	(86,001)	+17%
Total operating expenses	**(314,627)**	**(365,494)**	**+16%**
Operating profit	205,662	244,505	+19%
Operating margin	25.5%	26.6%	+115bps
Financing expenses (net)	(6,151)	(3,296)	-46%
Profit before tax	**199,511**	**241,209**	**+21%**

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2017, are USD 0.68, EUR 0.61, AUD 0.90, GBP 0.475, CAD 0.89, JPY 77 and MXN 11.80.

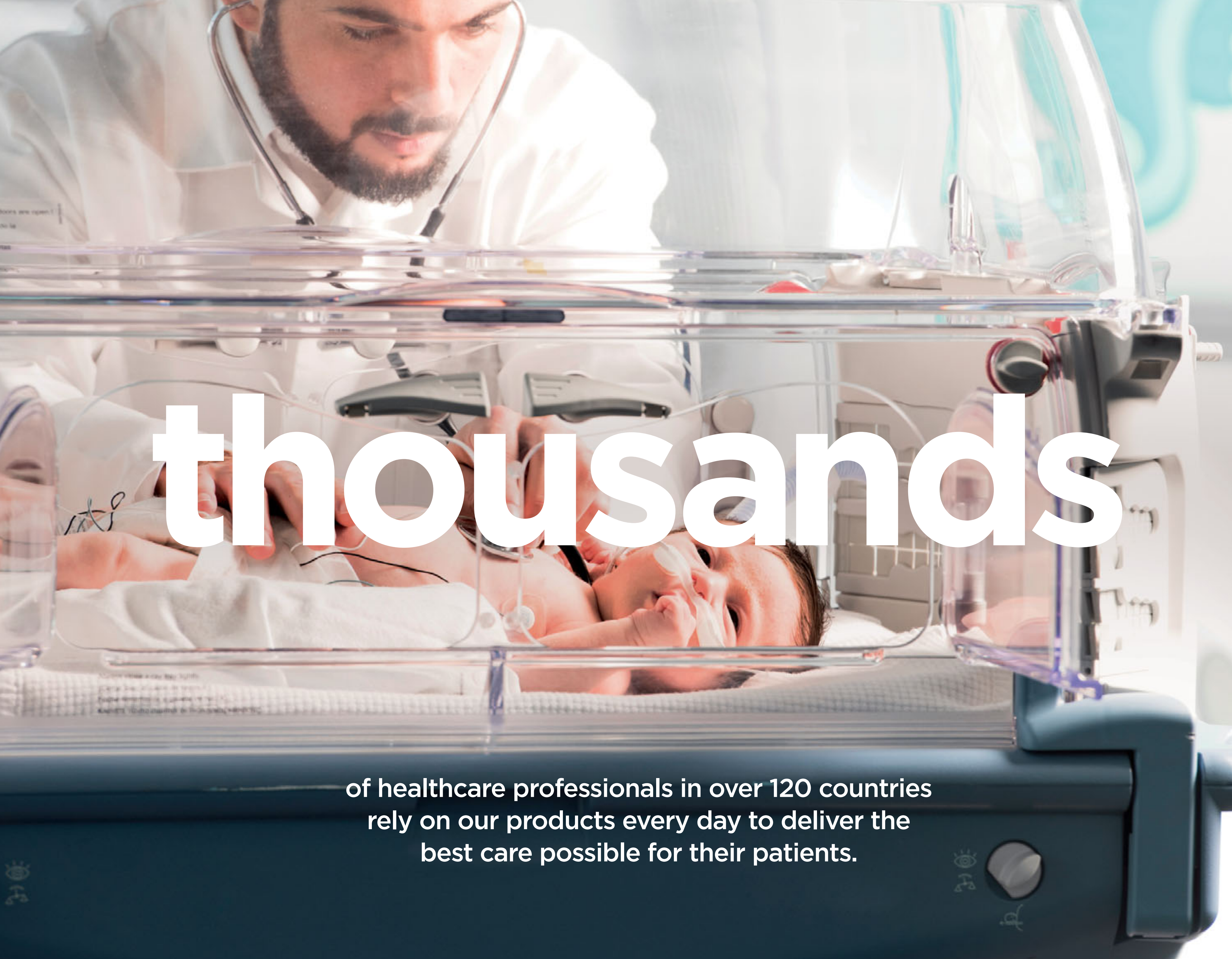
A constant currency income statement is prepared each month to enable the board and management to monitor and assess the company's underlying comparative financial performance without any distortion from changes in foreign exchange rates. The table above provides estimated NZ dollar income statements for the relevant periods, which have all been restated at the budget foreign exchange rates for the 2017 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. The company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

Fisher&Paykel HEALTHCARE

hundreds

of sales representatives and distributors worldwide, work tirelessly with healthcare professionals to understand what they, and their patients need.



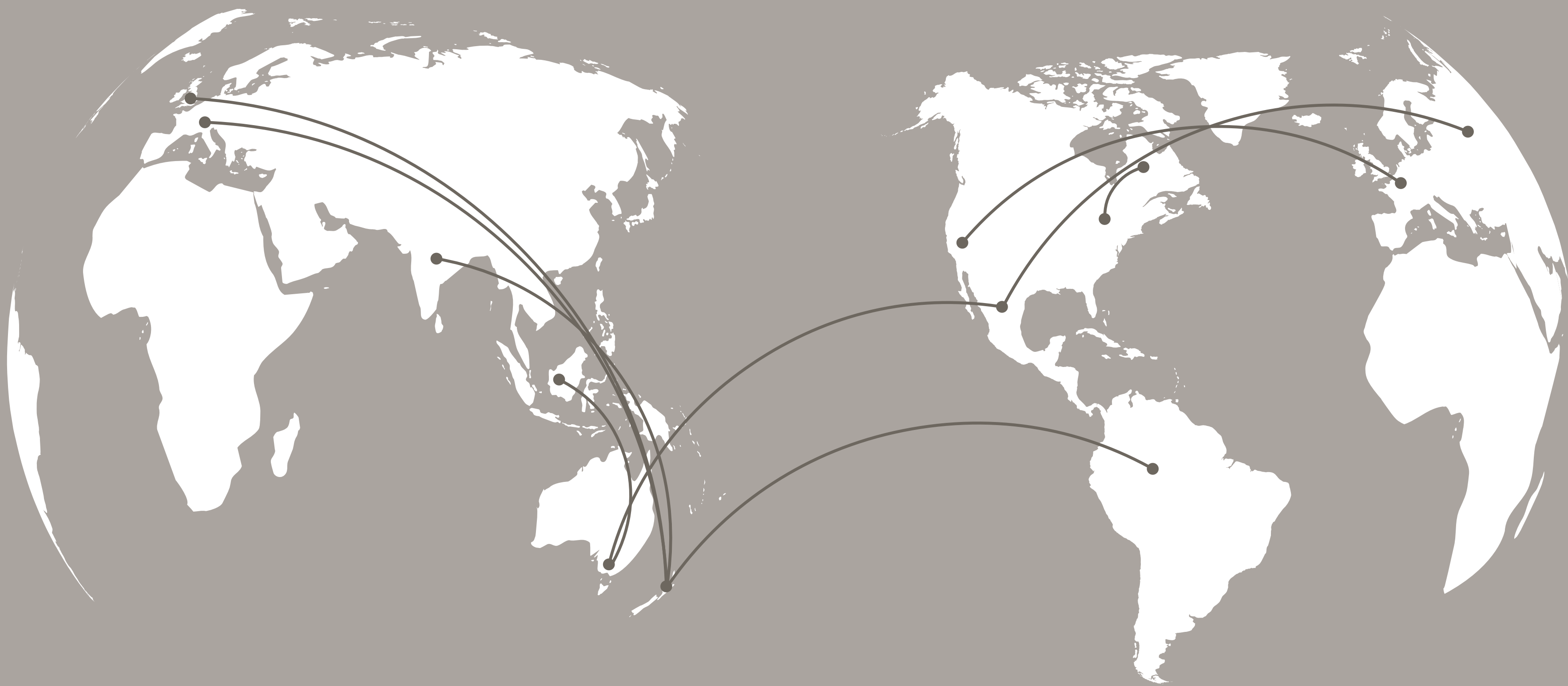
thousands

of healthcare professionals in over 120 countries rely on our products every day to deliver the best care possible for their patients.


millions
of people, all around the world, have an
enriched quality of life as a result.

one

purpose – of improving care and outcomes, is what drives us at Fisher & Paykel Healthcare to support our partners, suppliers, customers and communities every day.



Global Reach

99% of our revenue comes from outside New Zealand.
We have people in 35 countries around the world,
selling into over 120.

GLOBAL NUMBER OF ISSUED AND PENDING PATENTS

1,900+

SOUTH AMERICA NEW OFFICE ESTABLISHED IN BRAZIL, TAKING OUR TOTAL NUMBER OF GLOBAL OFFICES TO

26

EUROPE REVENUE GENERATED FROM THIS REGION

$272M

ASIA NUMBER OF EMPLOYEES IN THIS REGION

180+

Contents

This report is dated 22 May 2017 and is signed on behalf of Fisher & Paykel Healthcare Corporation Limited by Tony Carter, Chairman and Lewis Gradon, Managing Director and Chief Executive Officer.

TONY CARTER, CHAIRMAN

LEWIS GRADON, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Constant currency information contained within this report 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 financial year. A reconciliation between reported results and constant currency results is available on page 35 of this report. The company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

Financial highlights

PROFIT AFTER TAX
NZ$169.2M

↑18%

OPERATING PROFIT
NZ$240.1M

↑14%

OPERATING REVENUE
NZ$894.4 MILLION

↑10%

TOTAL DIVIDEND FOR THE YEAR
NZ 19.5CPS FULLY IMPUTED

↑17%

SPEND ON R&D
9.6% OF OPERATING REVENUE

NZ$86M

GROSS MARGIN IMPROVEMENT

205bps

HOSPITAL REVENUE GROWTH
NZ$500.4 MILLION

↑15%

NEW APPLICATIONS CONSUMABLES
REVENUE GROWTH

↑24%

Business highlights

APRIL 2016

GLOBAL LEWIS GRADON COMMENCES ROLE AS MANAGING DIRECTOR & CEO

MAY 2016

NZ FPH WINS FIRST NZ CAPITAL MARKET LEADERS BEST CORPORATE COMMUNICATOR AWARD

AUGUST 2016

AUSTRALASIA F&P 950™ HEATED HUMIDIFICATION SYSTEM, F&P BREVIDA™ NASAL PILLOWS MASK AND F&P NIVAIRO™ NON-INVASIVE VENTILATION MASK LAUNCHED

MEXICO ANNOUNCED EXPANSION OF MANUFACTURING IN MEXICO

NZ ANNOUNCED PLANS FOR NEW BUILDING IN NEW ZEALAND

SEPTEMBER 2016

AUSTRALIA NEW ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM GOES LIVE AT OUR AUSTRALIAN OFFICE

ASIA PACIFIC FPH ADDED TO THE ASIA PACIFIC AND AUSTRALIAN DOW JONES SUSTAINABILITY INDEX

OCTOBER 2016

NZ WELCOMED RACHAEL NEWSOME AS BOARD OBSERVER AS PART OF THE NZ FUTURE DIRECTORS' INITIATIVE

INDIA FPH WINS NZ INNOVATION SHOWCASE AWARD IN CONJUNCTION WITH SURYA HOSPITAL

GLOBAL FPH RECEIVES TIN100 AWARD FOR NZ TECH EXPORTER WITH THE GREATEST REVENUE VALUE GROWTH IN 2016

NOVEMBER 2016

NZ MIKE DANIELL RECEIVES THE NEW ZEALAND SHAREHOLDERS ASSOCIATION'S BEACON AWARD

DECEMBER 2016

ASIA FPH NAMED AS ONE OF THE 62 ASIA-PACIFIC IP ELITE

CHINA, HONG KONG NEW ERP SYSTEM GOES LIVE

MARCH 2017

TAIWAN NEW ERP SYSTEM GOES LIVE

Our Business

PATIENTS TREATED DURING THE YEAR USING OUR MEDICAL DEVICES

12M+

ENGINEERS AND SCIENTISTS WORKING IN R&D

550+

SPEND ON R&D

NZ$86M

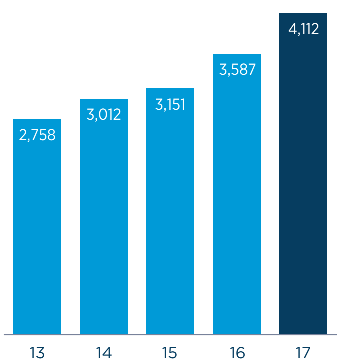
POTENTIAL GLOBAL MARKET OPPORTUNITY

US$6B+

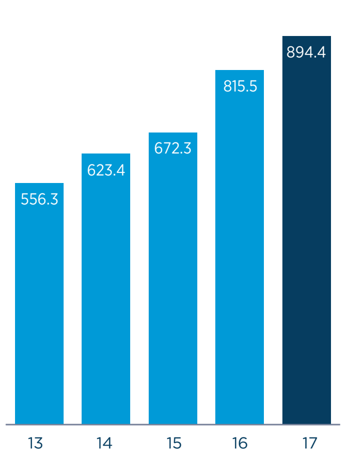
CURRENT RANGE OF PRODUCTS, ACCESSORIES AND PARTS

2,900+

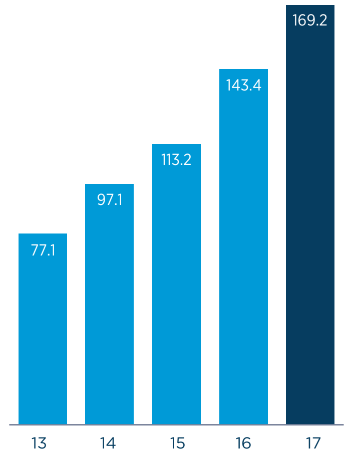
EMPLOYEE NUMBERS



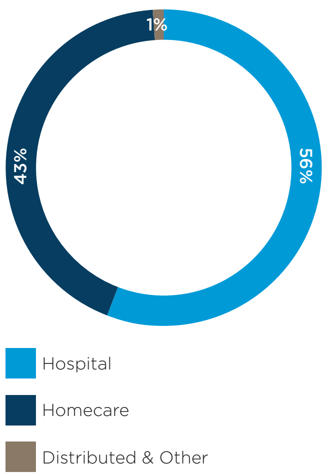
OPERATING REVENUE NZ$ MILLIONS



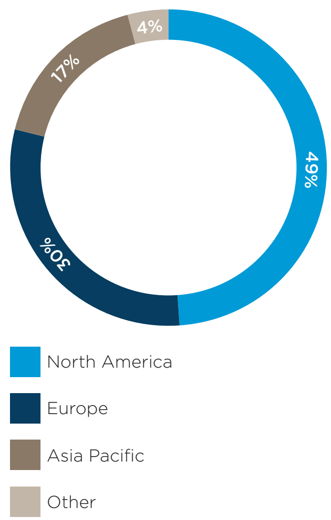
PROFIT AFTER TAX NZ$ MILLIONS



REVENUE BY PRODUCT GROUP – 12 MONTHS TO 31 MARCH 2017



OUR PRODUCTS ARE SOLD IN MORE THAN 120 COUNTRIES



35
Our people are located in 35 countries

1,231
Employees in North America

271
Employees in Europe

2,307
Employees in New Zealand

303
Employees in the rest of the world

‘We are a truly global company with 99% of our revenue generated offshore.’

Chairman of the Board, Tony Carter talks about our performance on the world stage.

> Page 12

‘Our products are designed to raise global healthcare standards and deliver value for our many communities around the world.’

Managing Director and Chief Executive Officer, Lewis Gradon
on our latest products and the benefits for patients.

> Page 16

Report from the Chairman of the Board, **Tony Carter**

It has been another great year for our company and we are immensely proud that our products were used in improving the care and outcomes for more than 12 million patients around the world.

We delivered a record financial result of $169.2 million net profit after tax, up 18% on the previous year and robust revenue growth of 10% to $894.4 million. We expect to achieve approximately NZ$1 billion of annual operating revenue in the 2018 financial year.

Our global team continues to deliver on our vision of improving care and outcomes through inspired and world-leading healthcare solutions. Assisting clinicians around the world to deliver the best possible patient care through continuous product improvement, pioneering new therapies and changing clinical practice, continues to be key to our success.

Strategic progress

Over the past year, we released a number of exciting new products – the F&P 950, SleepStyle™, Optiflow™ Junior 2 and Nivairo and Brevida masks. Lewis will give more detail on these later in his report, but I would like to mention how pleased we are with the technological advancements evident in these products and the impact they are already having in the market.

Healthcare systems are grappling with growing and ageing populations and the subsequent increased costs of delivering medical services, and we are uniquely placed to help address these demands. We have high quality products that are designed to be easy to use, to help reduce a patient's need for costly, higher intensity care, and where possible, to facilitate a patient's independence and treatment in the home.

> The growth we are experiencing in demand for our products for nasal high flow therapy is supported by a significant number of clinical studies published showing meaningful benefits, and the efforts of our highly skilled teams who share this new evidence with clinicians on a daily basis.

Achieving this often requires a change in clinical practice. For example, our Optiflow nasal high flow therapy system, which is driving a significant proportion of our growth, is at its core about changing clinical practice. The growth we are experiencing in demand for our products for nasal high flow therapy is supported by a significant number of clinical studies published showing meaningful benefits, and the efforts of our highly skilled teams who share this new evidence with clinicians on a daily basis.

Global presence

While headquartered in New Zealand, we are a truly global company, with 99% of our revenue generated offshore.

Consistent with our strategy to increase our international presence, we announced in August that we would be expanding our manufacturing facilities in Mexico.

The Board and management have carefully considered the recent geo-political developments, and continue to believe that expanding manufacturing there is the best decision for the company and shareholders. Our facility in Mexico offers us many significant advantages, some of which are outlined on page 24, and we will continue to keep a close watch on any regulatory changes.

When the new facility in Mexico is complete in 2018, we intend to commence exploring the possibility of manufacturing in a third location outside of both New Zealand and Mexico. We believe a third location will enhance the diversification and resilience of our manufacturing operations and enable us to effectively manage expected demand for our products over the coming decade.

Patent litigation

As you may be aware, during the past year we filed patent infringement proceedings seeking judgment that some products manufactured by one of our competitors, ResMed, infringed several of our patents. ResMed responded that the patents we asserted were not infringed and/or were invalid, and also filed proceedings against us alleging that some of our OSA products infringe ResMed patents. Further details regarding the litigation are given on page 67.

The Board, together with management, believe that it is in the best interests of the company to assert our patent rights and vigorously defend the allegations made against us.

We have taken advice from leading patent litigation experts around the world, remain confident in our infringement and validity positions with respect to our own patents, and believe we have good and valid defences to the claims filed by ResMed. We have established a sub-committee of the Board to oversee, review and monitor progress, and to provide ongoing updates to the Board.

Your Board

At this year's annual shareholders' meeting (ASM), long-serving director Lindsay Gillanders will retire by rotation and will not be seeking re-election. Lindsay has been a valuable member of the Board since 1992 and we will acknowledge his excellent contribution at the ASM in August. We are well advanced in finding a replacement director with the necessary skills and experience to complement other members of the Board, and expect to provide an update at or before our ASM.

The F&P Nivairo™ mask.

The Board has approved an increased final dividend for the year of 11.25 cps. This takes the total dividend for the financial year to 19.5 cps, an increase of 17% on the previous year.

We continue to support the New Zealand Future Directors' programme. This year we welcomed our third participant, Rachael Newsome, who is currently General Counsel and Strategist at Icebreaker, and we are valuing the perspective her international background and experience has brought to our discussions. Rachael will attend our Board meetings as an observer for a 12-month term until October 2017.

Best practice governance guidelines recommend boards implement formal processes for evaluating their performance along with that of committees and individual directors. During the year the Board appointed an independent consultant firm to run a board evaluation programme. This review was conducted in June 2016 with results reported to the Board in August 2016.

This was an extremely beneficial process and we will conduct further Board reviews every two years.

Dividend

The Board has approved an increased final dividend for the year of 11.25cps. This takes the total dividend for the financial year to 19.5cps, an increase of 17% on the previous year.

This equates to a dividend pay-out ratio of approximately 65% of net profit after tax.

The dividend reinvestment plan (DRP) will again be offered, without discount, under which eligible shareholders may elect to reinvest all or part of their cash dividends in additional shares.

Outlook

We are pleased with this year's result. We have a skilled and dedicated team and a positive long-term outlook. With the exciting opportunities in front of us, we continue to have an objective of doubling our constant currency revenue every five to six years. We look forward to continuing to deliver strong results in the future.

TONY CARTER, CHAIRMAN

Report from the Managing Director & Chief Executive Officer, **Lewis Gradon**

Global demand for our products is continuing to deliver record results for our company.

This financial year, operating revenue grew 10% to $894.4 million and net profit after tax grew 18% to $169.2 million, after absorbing pre-tax patent litigation costs of $20.7 million during the year.

Both of our major product groups, Hospital and Homecare, delivered strong results as customers continue to choose our products for the clinical and economic benefits they offer.

Operating revenue in our Hospital product group grew 15% to a record $500.4 million, driven again by growth from “new applications” consumables of 24%. Consumables revenue from these “new applications”, being products used in nasal high flow therapy, non-invasive ventilation and surgery, now accounts for 54% of our Hospital consumables revenue.

Revenue growth in OSA masks was 9% and was the major contributor to overall Homecare operating revenue growth of 4% to $381.5 million.

Our approach has remained consistent this financial year. We continue to focus on delivering quality medical devices that improve the standard of healthcare around the world, assist healthcare systems to reduce costs, and in turn, help us to deliver value for our shareholders and our people.

Changing clinical practice

There have been several influential studies published in recent years that highlight both the clinical and economic benefits of using Optiflow nasal high flow therapy earlier in a patient’s care, and in an increasing number of applications. The amount of interest in the therapy is remarkable, with numbers of publications on nasal high flow increasing substantially in recent years. There have been over 970 studies published since 2003, with 203 of those published in 2016 alone.

An abstract has recently been published of a large multi-centre randomised controlled trial on the use of nasal high flow therapy for infants with bronchiolitis, a common cause for patient admission to hospital pediatric and neonatal departments.*

> Our medical devices help improve the standard of healthcare around the world and assist healthcare systems to reduce costs.

* Franklin D, Babi FE, Dalziel SR, et al. Nasal high flow therapy for infants with bronchiolitis – a multicentre randomized controlled trial: a paediatric acute respiratory intervention study (PARIS) from PREDICT and PCCRG. Pediatric Academic Societies. San Francisco, USA, 2017.

The study, which used our Optiflow Junior system, shows extremely encouraging results, suggesting that in this trial, nasal high flow therapy had a significantly lower treatment failure rate than standard oxygen therapy. This further high-quality evidence supports the effectiveness of nasal high flow as a therapy for infants in respiratory distress.

Global Growth

The continued growth of our innovative therapies and devices has contributed to our ongoing momentum and strong financial results. To accommodate and sustain this growth, we announced a new building programme in New Zealand and Mexico earlier this year.

We have made good progress on both of these projects. In New Zealand, earthworks have begun on a 36,000 m^2 building, which will principally accommodate a blend of R&D and pilot manufacturing, and will accommodate anticipated growth from 2020 until around 2023. In Tijuana, Mexico, we have now completed the purchase of a 15 hectare greenfield site, and have commenced earthworks on our new facility.

We expect this building to be complete by early 2018, and it will support manufacturing growth over the next five years, able to supply our global markets.

The roll out of our new enterprise resource planning system, SAP, is continuing well. In addition to being in place in New Zealand and Mexico, we have now transitioned our offices in Brazil, Australia, China, Hong Kong and Taiwan, and will continue with our remaining offices in coming years. We are already experiencing the benefits of the new system, with a highly integrated view across our supply chain and improved efficiency and productivity in operations and customer service.

Research and Development

This financial year, we invested 9.6% of revenue into research and development, and the number of our people involved in R&D-specific roles grew to over 550.

We are enjoying one of our most intensive periods for new product releases, and we anticipate new masks, respiratory consumables, flow generators and compliance monitoring solutions to be introduced to the market over the next several years. This year, we released a number of key products which I will touch on below, but also very recently, the F&P Optiflow Junior 2 nasal cannula range for use in the hospital, and SleepStyle, a CPAP system for OSA patients.

Our focus in R&D is about doing what is best for patients. This is an approach that hasn't changed since development of the first prototype humidifier back in 1968. Our team spends many hours in hospitals and with patients and clinicians, seeking to understand their needs and how to provide better technology to enhance patient care. It is a process that is careful and considered, and involves continual prototyping, refinement and changes to clinical practice to achieve the best possible result. This approach, coupled with our commitment to customer support and education, is central to our success.

Patents and Intellectual Property

We believe in the importance of protecting our innovations and filed 79 provisional patents for new inventions in the 2017 financial year, an 11% increase on the previous year. Our portfolio is significant, consisting of more than 1,900 issued and pending patents.

We take infringement of our intellectual property rights very seriously and during the year, filed legal proceedings against one of our competitors, ResMed, for alleged infringement of our patents. They also filed proceedings against us alleging infringement of their patents. Further detail regarding the litigation is set out on page 67 of this annual report.

We have incurred litigation related expenses of $20.7 million this year. We expect to incur litigation-related expenses at a similar run-rate during the 2018 financial year. These estimated costs are incorporated within our earnings guidance for the 2018 financial year. We recognise that this is a significant cost and did not take lightly the decision to enter into litigation.

Fisher & Paykel Healthcare has been providing unique solutions for patients for more than 45 years and we take pride in our proprietary technology.

We also respect the valid intellectual property rights of others.

Sales Progress

The transition to a direct sales model for our hospital products in the US has progressed well. Since we began implementation of this major change almost two years ago, we have built an expanded team to support our hospital customers. Momentum is building as we deepen customer relationships and grow new accounts.

Our focus in R&D is about doing what is best for patients. This is an approach that hasn't changed since development of the first prototype humidifier back in 1968.

PROFIT AFTER TAX

NZ$169.2M

↑18%

New products

We released several exciting new products this year. The F&P 950 heated humidification system is now available throughout Australasia and has been performing very well. Key to the positive adoption of this product has been its ease of use for clinicians, particularly its touch screen and usability, among the other technology advances it offers.

Also in our Hospital product group, the F&P Nivairo mask, used for non-invasive ventilation support, is now available in Australasia, the UK, parts of Europe, India and a selection of other countries as we continue to roll it out around the globe. We have received encouraging feedback from our early users of this mask, and are excited about its potential.

In our Homecare product group, the F&P Brevida mask is now in the New Zealand, Australian, Canadian and European markets, and was launched in the US in March 2017.

Early indications from customers have been very positive, with patients and homecare dealers appreciating its performance, AirPillow™ seal and small, unobtrusive frame size.

These new products are supporting overall sales growth and contributing to our gross margin expansion.

Gross margin and foreign currency

Our gross margin increased by 205 basis points during the 2017 financial year, largely due to product mix, our Mexican manufacturing facility and ongoing manufacturing and supply chain efficiency improvements. We expect to see continued gross margin expansion in the 2018 financial year in the range of 50 to 100 basis points.

In terms of foreign currency, we experienced a headwind to operating profit of $4 million compared to the previous financial year. Despite this small headwind, we took opportunities during the year to add to our hedging cover in many currencies, including the US dollar and Mexican peso.

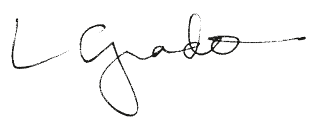
Our gearing has continued to improve and at 0%, now sits within our debt to debt plus equity target range of +5% to -5%.

Outlook

This year we have delivered an excellent result. We continue to influence clinical change around the world, and assisted in the care of more than 12 million patients this year alone. We remain committed to achieving continuous improvement and ongoing technology advances.

At current exchange rates we expect full year operating revenue for the 2018 financial year to be approximately NZ$1 billion and net profit after tax to be approximately NZ$180 million to NZ$190 million.

I would like to acknowledge our results are only possible due to the care and commitment of our team. In our business, the overarching goal is to contribute to the better delivery of healthcare around the world. This is no small feat, and it is what drives us every day. We have a positive outlook and I am confident that with our talented team, we are well positioned to deliver sustainable, profitable growth over the long-term.



LEWIS GRADON, MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

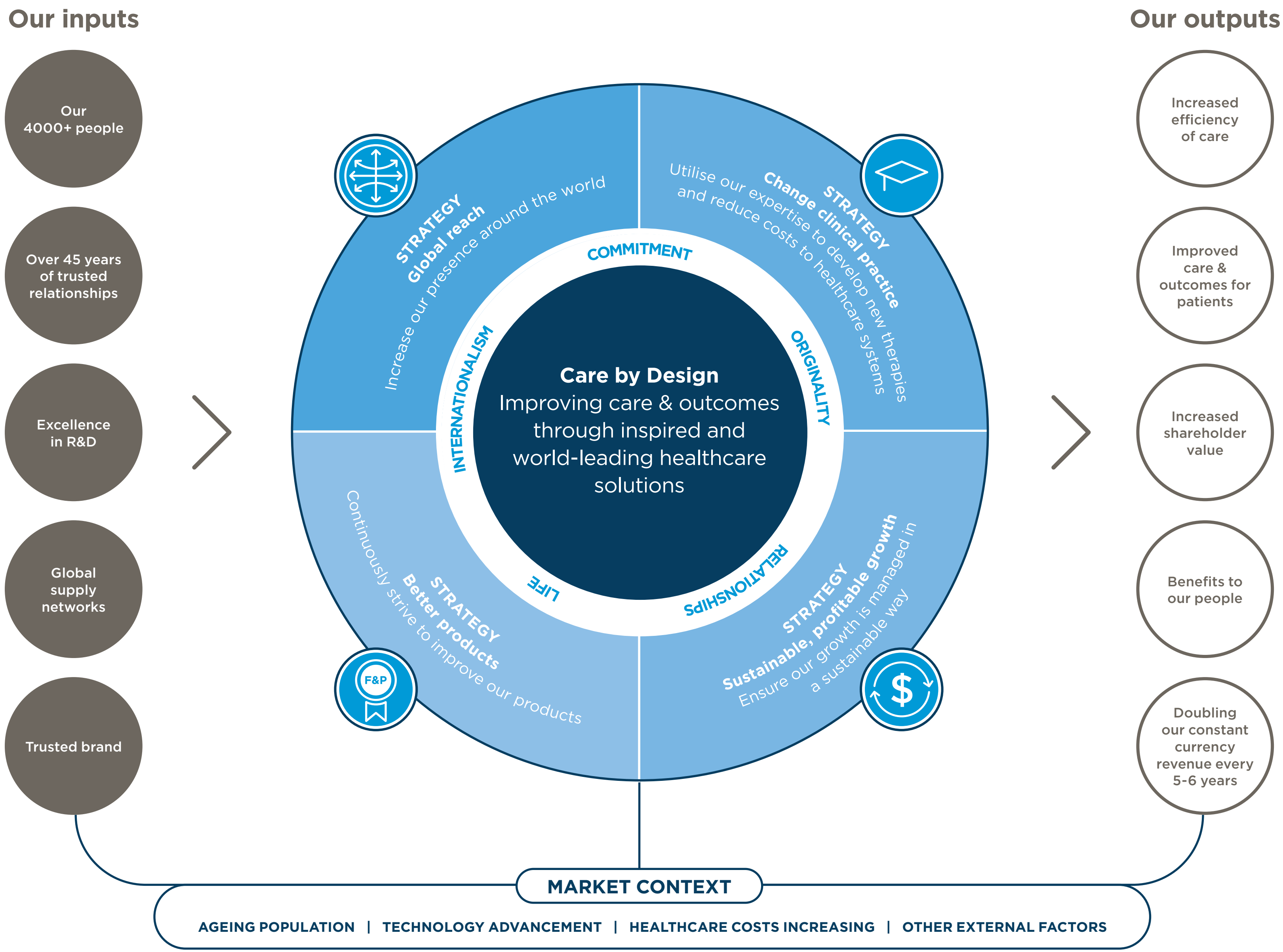
How we deliver value.

For many years, our business strategy has been consistent, centred on a clear premise of improving care and outcomes through inspired and world-leading healthcare solutions. It is an aspiration that draws our team of like-minded people together, and that attracts partners, suppliers and healthcare providers to work alongside us towards a shared goal.

We have a culture of Care by Design, which is a simple way of expressing the care and intentionality we put into everything we do. For a global team of over 4,000 people with different backgrounds, cultures and expertise, this is a philosophy that unites us.

We believe that by retaining this resolute focus on delivering the best for the patient, then the results – such as improved patient outcomes, career opportunities for our people and business success, will come.

Our medical devices are built and designed by people, for people. It is the care with which we operate that defines us.


Our inputs
Our 4000+ people
Over 45 years of trusted relationships
Excellence in R&D
Global supply networks
Trusted brand
STRATEGY
Global reach
Increase our presence around the world
STRATEGY
Change clinical practice
Utilise our expertise to develop new therapies and reduce costs to healthcare systems
STRATEGY
Better products
Continuously strive to improve our products
STRATEGY
Sustainable, profitable growth
Ensure our growth is managed in a sustainable way
COMMITMENT
ORIGINALITY
RELATIONSHIPS
LIFE
INTERNATIONALISM
Care by Design
Improving care & outcomes through inspired and world-leading healthcare solutions
F&P
$
Our outputs
Increased efficiency of care
Improved care & outcomes for patients
Increased shareholder value
Benefits to our people
Doubling our constant currency revenue every 5-6 years
MARKET CONTEXT
AGEING POPULATION | TECHNOLOGY ADVANCEMENT | HEALTHCARE COSTS INCREASING | OTHER EXTERNAL FACTORS

Hospital

Our products are used throughout the hospital, predominantly in invasive and non-invasive ventilation, nasal high flow therapy and surgery.

Our devices include humidifiers, single-use and reusable chambers, breathing circuits, interfaces and accessories. These products are designed to humidify the gases that a patient receives during mechanical ventilation, non-invasive ventilation, nasal high flow therapy or laparoscopic and open surgery.

Key products include the Airvo™ flow generator and humidifier, Optiflow nasal cannula range, F&P 950 heated humidification system, Evaqua™ breathing circuits and HumiGard™ surgical humidification system.

Sales of Hospital products accounted for 56% of operating revenue in FY17.

FY17 HIGHLIGHTS

AUSTRALASIA
Launched F&P 950 system

AUSTRALASIA, EUROPE, CANADA
Launched F&P Nivairo mask

USA
Received the AARC Zenith Award, the 'People's Choice' award of the respiratory care profession

GLOBAL
Publication of more than 200 studies on nasal high flow therapy

FY17 PERFORMANCE

OPERATING REVENUE

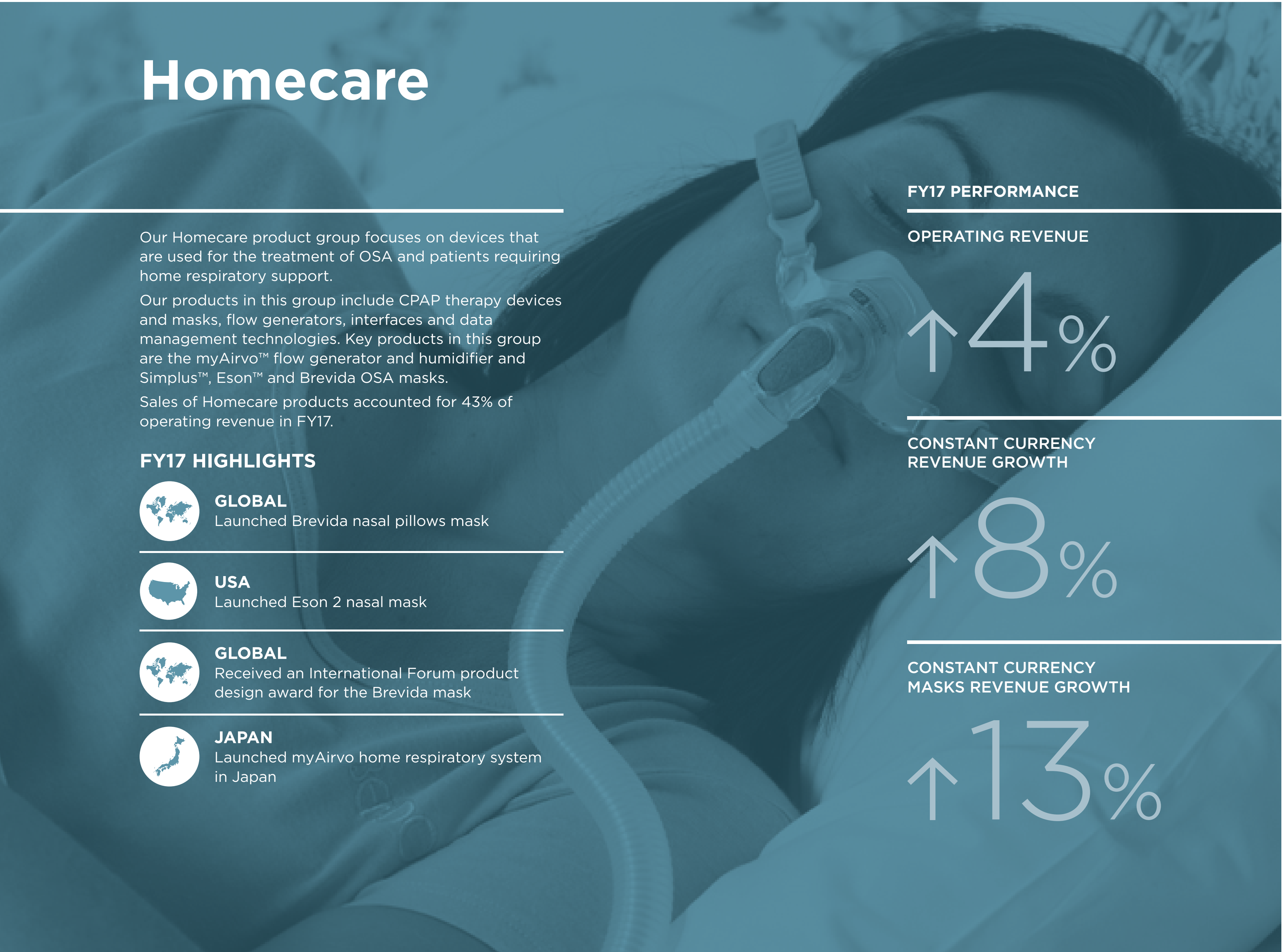
↑15%

CONSTANT CURRENCY REVENUE GROWTH

↑19%

CONSTANT CURRENCY CONSUMABLE REVENUE GROWTH FROM NEW APPLICATIONS

↑29%



Homecare

Our Homecare product group focuses on devices that are used for the treatment of OSA and patients requiring home respiratory support.

Our products in this group include CPAP therapy devices and masks, flow generators, interfaces and data management technologies. Key products in this group are the myAirvo™ flow generator and humidifier and Simplus™, Eson™ and Brevida OSA masks.

Sales of Homecare products accounted for 43% of operating revenue in FY17.

FY17 HIGHLIGHTS

GLOBAL
Launched Brevida nasal pillows mask

USA
Launched Eson 2 nasal mask

GLOBAL
Received an International Forum product design award for the Brevida mask

JAPAN
Launched myAirvo home respiratory system in Japan

FY17 PERFORMANCE

OPERATING REVENUE

↑4%

CONSTANT CURRENCY REVENUE GROWTH

↑8%

CONSTANT CURRENCY MASKS REVENUE GROWTH

↑13%

TIJUANA, MEXICO

OUR PEOPLE WORKING IN MANUFACTURING (MEXICO):
954

OUR MANUFACTURING OUTPUT FROM MEXICO:
34%

OUR PRODUCTS MANUFACTURED IN MEXICO:
HOMECARE MASKS & HOSPITAL CONSUMABLES

LAND AREA WE OWN:
15 HECTARES

TOTAL MEDICAL DEVICE MANUFACTURING PLANTS IN TIJUANA:
50+

TOTAL PEOPLE EMPLOYED IN MEDICAL DEVICE MANUFACTURING IN TIJUANA:
34,000+

TOTAL PEOPLE IN THE MAQUILADORA INDUSTRY IN MEXICO:
2.4M+

Global reach | Better products | Sustainable, profitable growth

Expanding our global capacity

We have skilled manufacturing teams in both New Zealand and Mexico.

In New Zealand, our manufacturing team of over 1,450 people works across both hospital and homecare product lines. The manufacturing facilities are part of the same buildings that host our other functional groups. The co-location of teams facilitates collaboration and an awareness of the medical device process from concept and design right through to how our products are used by patients.

We have found that embedding pilot manufacturing in this way enables our engineering, quality and manufacturing teams to work closely together. Designs and processes can be routinely monitored and tested to ensure that they are stable and our products are made to a high degree of quality.

As our devices are used to treat more than 12 million patients annually, it's important that we build resilience into our operations. By also manufacturing in Mexico, we are able to spread geographic risk. We opened our first facility in Mexico in 2010, and have built a strong, skilled team with medical device manufacturing expertise. In Tijuana, where our plant is located, we are able to benefit from the skills of a well-qualified, well-established maquiladora industry of more than 200,000 people, 34,000 of which are employed in medical device manufacture from a hub of more than 50 medical device companies. Tijuana also provides us with good access to the US and our North American distribution centres in Kentucky and California. The cost efficiencies we have achieved, and the expert team we have built are strong assets to the business.

AUCKLAND, NEW ZEALAND

OUR PEOPLE WORKING IN MANUFACTURING (NZ):

1,451

MANUFACTURING OUTPUT IN NZ:

66%

PRODUCTS MANUFACTURED IN NZ:

HOSPITAL AND HOMECARE HARDWARE AND CONSUMABLES

TOTAL MANUFACTURING FLOOR SPACE (COMBINED):

27,000m^2

LAND AREA:

42 HECTARES

Global reach

Better products

Change clinical practice

Inspiring clinical change

Optiflow nasal high flow therapy is changing clinical practice around the world.

Between 2000 and 2016, there were more than 146 papers published on nasal high flow therapy that related to neonatal and pediatric patients being treated in hospitals. This evidence indicates that nasal high flow therapy may reduce the need for more intensive therapies and accelerate a patient's recovery. One of our products in this market, F&P Optiflow Junior, is now used in over 90 countries.

In Tokyo during September 2016, we acted as a facilitator to 300 clinicians from 22 countries in the Asia Pacific region to discuss the latest research and application of Optiflow Junior in their practice. This was repeated in Washington DC in November 2016, where we hosted 280 clinicians from 30 countries to consider how this therapy is transforming the delivery of respiratory support to the smallest of patients.

> We are pleased to bring this exciting new product range to the market, and are confident that it will be well received by clinicians around the world.

Optiflow Junior 2

Building on the success of the market-leading Optiflow Junior nasal cannula range, we recently released F&P Optiflow Junior 2, the next generation of care for neonates, infants and children.

One of the key new features of Optiflow Junior 2 is its innovative Waveflex™ technology, which enables the cannula to flex with facial movement so nasal prongs are kept securely in place to enable un-interrupted delivery of the therapy. The new cannula range can also now accommodate smaller patients, with the introduction of a new extra small size, which may fit babies as small as 0.5kg.

We are pleased to bring this exciting new product range to the market, and are confident that it will be well received by clinicians around the world.

Please note that Optiflow Junior 2 is not available in all regions until regulatory clearance has been obtained.

Global reach

Better products

Caring for our patients

Our devices are designed with patients' needs in mind and informed by extensive patient centred research. Our OSA products are no exception, with two new products clearly showing our patient-centric design approach.

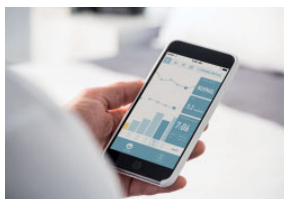
Brevida nasal pillows mask

The F&P Brevida is designed to be extremely comfortable to wear and easy to use, which gives patients confidence in their therapy. Mary, a sleep clinic specialist from About Sleep in Australia says, "Patients prefer a mask that is light-weight and easy to wear. Given our hot climate, for a mask to be comfortable it's important to have as few parts as possible on your face or head, and to have cool material. The Brevida is light and easy to move around in bed with. Being diagnosed with sleep apnea can be intimidating, so it's important that the products are as easy and low stress as possible to use. Fisher & Paykel Healthcare's are among the best, and I regularly recommend their masks."

SleepStyle CPAP device

The new F&P SleepStyle CPAP device includes patient management and support tools to help patients succeed in their therapy. The power supply and humidifier have been fully integrated to minimise the space taken up on the patient's bedside table. It is packed with automated features designed to make CPAP therapy more comfortable, including ThermoSmart™, our world-class humidification, SensAwake™, where treatment pressure is reduced to the most comfortable level while awake, and expiratory relief, which relieves CPAP pressure during exhalation to make breathing more comfortable.

Other features that respond to patient needs include easily accessible parts, a clear menu, large, responsive buttons and built-in cellular and Bluetooth connectivity options for data monitoring.* The device also pairs with the SleepStyle App so patients can track the progress of their CPAP therapy.



These products are not available in all regions until regulatory clearance has been obtained.

* Connectivity options differ depending on model.

Global reach Better products Change clinical practice

Enabling sustainable care

Emma Hefford, a Fisher & Paykel Healthcare respiratory sales specialist, has found that balancing quality patient care with practical economic considerations is a priority for clinicians.

Emma looks after Dallas-Fort Worth and the north-east Texas regions of the United States, and has been with Fisher & Paykel Healthcare for nearly eight years. “In the US, healthcare systems are facing a financial battle,” she says. “They want to deliver great patient care, but are also looking for ways to reduce costs.

“Our products are about the big picture – about helping to create positive outcomes for patients, which can then save on costs for hospitals by reducing the time patients spend in higher acuity areas of the hospital and the associated labour costs that go with that.

“With Optiflow nasal high flow therapy, we have clinical research that shows great patient benefits by reducing intubation and re-intubation rates, but clinicians are also telling me that the freedom and comfort patients experience during Optiflow nasal high flow therapy means their compliance rates are improving. That’s reassuring, because if patients are more likely to continue with the therapy they need, they should get better faster, and require less nursing time. This creates lower labour costs associated with each patient, and that can add up to long-term, sustainable cost savings.”

One small facility Emma worked with recently trialled Optiflow nasal high flow therapy. “Although the physicians were already convinced, it took some time to persuade the therapists. But one year in, they ordered 10 more units because of the positive patient outcomes and cost savings they experienced. Situations like this are common - facilities will start with a few units and then increase them later, once they have seen the efficacy of the therapy.

“Also, in smaller facilities, we might start in one area of the hospital, such as the intensive care unit, but when other doctors hear about the device it will move into their areas, such as the emergency room or post-operative departments. People start talking about it, and that creates a real buzz.”

Emma’s experience highlights the importance of providing excellent customer service. “I want to be a trusted advisor for my customers. It’s about doing what’s right – I’m always thinking, what’s the right thing to do here for the patient?

“I think this is a really exciting time for our company,” she says. “We are changing the way clinicians practise – which can lead to positive outcomes for the patient, the clinician and the facility. It’s exciting to see our products being so positively accepted in this way.”

> "I think this is a really exciting time for our company. We are changing the way clinicians practise – which can lead to positive outcomes for the patient, the clinician and the facility."

Tony Carter

Lewis Gradon

Michael Daniell

Lindsay Gillanders

Geraldine McBride

Arthur Morris

Donal O'Dwyer

Scott St John

Our Board

Tony Carter

CHAIRMAN

Term of Office:
Appointed December 2010, last re-elected 20 August 2014, appointed Chairman in April 2012

Tony is a highly respected director and sits on the Board of a number of New Zealand companies. He was managing director of Foodstuffs New Zealand Limited for ten years, until his retirement in 2010. Tony is also chairman of Air New Zealand Limited and Blues Management Limited, a director of Fletcher Building Limited, and ANZ Bank New Zealand Limited, and a trustee of the Maurice Carter Charitable Trust.

Master of Engineering, Master of Philosophy

Sub-committee responsibilities:
Chair Remuneration & Human Resources Committee, Chair Nomination Committee, Member Audit & Risk Committee, Member Quality, Safety & Regulatory Committee.

Lewis Gradon

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Term of Office:
Appointed 1 April 2016, last re-elected 23 August 2016

Lewis became Managing Director & Chief Executive Officer in April 2016. Prior to that, he spent 15 years as Senior Vice President – Products & Technology, and six years as General Manager – Research and Development. During his 34 year tenure with Fisher & Paykel Healthcare he has held various engineering positions and overseen the development of our complete healthcare product range.

Bachelor of Science – Physics

Michael Daniell

NON-EXECUTIVE DIRECTOR

Term of Office:
Appointed November 2001, last re-elected 23 August 2016

Mike was Managing Director and Chief Executive Officer of Fisher & Paykel Healthcare from November 2001 to March 2016. He was General Manager of Fisher & Paykel's medical division from 1990 to 2001 and previously held various technical management and product design roles within the company. Mike is a member of the Council of the University of Auckland, a director of Tait Limited and the Medical Research Commercialisation Fund and Chair of the Medical Technologies Centre of Research Excellence.

Bachelor of Engineering (Hons)

Lindsay Gillanders

INDEPENDENT DIRECTOR

Term of Office:
Appointed May 1992, last re-elected 20 August 2014

Lindsay has been a long-standing director of Fisher & Paykel Healthcare and also holds board positions with a number of private businesses. He worked for the company for a number of years and has an in depth understanding of the Fisher & Paykel Healthcare business. Up to November 2001, Lindsay was responsible for Fisher & Paykel's legal, regulatory, compliance and intellectual property rights, and worked on major commercial agreements including acquisitions and divestments by both the appliances and healthcare businesses.

Bachelor of Law (Hons)

Sub-committee responsibilities:
Member Audit & Risk Committee.

Geraldine McBride

INDEPENDENT DIRECTOR

Term of Office:
Appointed August 2013, elected 27 August 2013

Geraldine has been involved in the technology industry for 30 years and has a wealth of global experience. She has held senior executive roles at SAP AG and Dell Inc, and is a former President of SAP North America. She is a current director of National Australia Bank and Sky Network Television Ltd, and the founder and CEO of MyWave – a global leader in the AI/Intelligent Assistant market.

Bachelor of Science – Zoology

Arthur Morris

INDEPENDENT DIRECTOR

Term of Office:
Appointed February 2008, last re-elected 27 August 2015

Arthur has extensive experience in the healthcare industry and is a fellow of the Royal Australasian College of Pathologists, the Australasian Society for Microbiology and the Infectious Diseases Society of America. Dr Morris trained in Dunedin, Invercargill and Auckland before spending three years at Duke University Medical Centre, North Carolina, USA. He served as the Chief Executive Officer of Diagnostic Medlab Limited from 2005 until 2013. He is a director of Mercy Healthcare Auckland Limited, Southern Cross Hospitals Limited and a trustee of the Auckland School of Medicine Foundation.

Bachelor of Science – Microbiology (Hons), Doctor of Medicine

Sub-committee responsibilities:
Chair Quality, Safety & Regulatory Committee.

Donal O'Dwyer

INDEPENDENT DIRECTOR

Term of Office:
Appointed December 2012, last re-elected 23 August 2016

Donal is Chairman of Atcor Medical Pty Limited and a director of Cochlear Limited, Mesoblast Limited and nib Holdings Limited. From 1996 to 2003, he worked for Cordis Cardiology, initially as its president (Europe) and from 2000 to 2003 as its worldwide president. Prior to joining Cordis, Donal worked for 12 years with Baxter Healthcare, rising from plant manager in Ireland to president of the Cardiovascular Group, Europe, now Edwards Lifesciences.

Bachelor of Engineering, Master of Business Administration

Sub-committee responsibilities:
Member Quality, Safety & Regulatory Committee, Member Remuneration & Human Resources Committee.

Scott St John

INDEPENDENT DIRECTOR

Term of Office:
Appointed October 2015, last re-elected 23 August 2016

Scott is Chancellor of the University of Auckland, a director of Fonterra Cooperative Group Limited and Fonterra Shareholders' Fund. Scott was Chief Executive Officer of First NZ Capital from 2002 to March 2017. He joined First NZ Capital's predecessor company CS First Boston in 1993 following seven years at Hendry Hay McIntosh. Scott is a member of Chartered Accountants Australia and New Zealand and a fellow of the Institute of Finance Professionals of New Zealand.

Bachelor of Commerce, Diploma in Business

Sub-committee responsibilities:
Chair Audit & Risk Committee, Member Remuneration & Human Resources Committee, Member Nomination Committee.

Lewis Gradon

Paul Shearer

Tony Barclay

Debra Lumsden

Andrew Somervell

Brian Schultz

Winston Fong

Jonti Rhodes

Nicholas Fourie

Our Executive Management Team

Lewis Gradon

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Lewis was appointed Managing Director & Chief Executive Officer in April 2016. He previously served as Senior Vice President – Products & Technology and General Manager – Research and Development. He has held various engineering positions within Fisher & Paykel's healthcare business, and has overseen the development of our complete healthcare product range. He received his Bachelor of Science degree in physics from the University of Auckland, New Zealand.

Paul Shearer

SENIOR VICE PRESIDENT – SALES & MARKETING

Paul was appointed Senior Vice President – Sales & Marketing in 2001. Paul previously served as the General Manager – Sales and Marketing of Fisher & Paykel's healthcare business from 1996. From 1990 to 1998, Paul held various positions in the business and established our sales operations in the UK and US. He has held various positions with Computercorp Ltd, a computer systems integrator, and ICL Ltd., a multinational computer systems company. Paul received his Bachelor of Commerce degree in marketing from the University of Canterbury, New Zealand.

Tony Barclay

CHIEF FINANCIAL OFFICER

Tony was appointed Chief Financial Officer in 2001. He previously served as the financial controller of Fisher & Paykel's healthcare business since 1996. Tony held various positions with Arnotts Biscuits (NZ) from 1993 to 1996, and with Price Waterhouse in New Zealand and Papua New Guinea from 1987 to 1993. Tony has been a Chartered Accountant in New Zealand since 1990. He received his Bachelor of Commerce degree in accounting and finance from the University of Otago, New Zealand.

Debra Lumsden

VICE PRESIDENT HUMAN RESOURCES & PRIVACY OFFICER

Debra was appointed Vice President Human Resources in December 2016. Debra is from the UK and has over 20 years' experience working in HR across a variety of industries and sectors. Before joining Fisher & Paykel Healthcare, Debra was Vice President HR at Gilbarco Veeder-Root, where she headed up HR for Europe, the Middle East, Africa, and the Asia Pacific regions. She has also held senior roles with Insurance Australia Group, E2V Technologies and BAE Systems. She has a Bachelor of Science in Social Sciences from Brunel University and a Master of Business Administration from Warwick University, United Kingdom.

Andrew Somervell

VICE PRESIDENT – PRODUCTS & TECHNOLOGY

Andrew was appointed Vice President – Products & Technology in April 2016. Since joining Fisher & Paykel Healthcare in 2006, he has held various product development and operations management roles, and most recently was General Manager - Product Groups. He has overseen the development of the OSA product range and managed research and development, marketing, clinical, manufacturing, and aspects of the supply chain. Before joining Fisher & Paykel Healthcare, Andrew was a Research Fellow at the University of Auckland, New Zealand, and holds a doctorate in physics from the same university.

Brian Schultz

VICE PRESIDENT – QUALITY & REGULATORY

Brian was appointed Vice President Quality & Regulatory Affairs in 2015. Brian previously served as Quality Manager for New Zealand Manufacturing since joining the company in 2011. Prior to joining Fisher & Paykel Healthcare, Brian held Quality management positions within the medical device and pharmaceutical industries in Australia, Switzerland, United Kingdom and the United States. He received his Bachelor of Science degree from Grand Valley State University, Michigan, United States.

Winston Fong

VICE PRESIDENT – SURGICAL TECHNOLOGIES

Winston was appointed Vice President – Surgical Technologies in 2017. Winston previously served as Vice President – ICT from 2010 and held various IT management, systems engineering and software development roles in the business since 1999. Winston previously served as the Group ICT Manager since 2007 and from 1999 has held various IT management, systems engineering and software development roles in the business. Winston received his Bachelor of Engineering degree with honours in Electronics & Software Engineering from Manukau Institute of Technology and Master of Business Administration from the University of Auckland, New Zealand.

Jonti Rhodes

GENERAL MANAGER – SUPPLY CHAIN

Jonti was appointed General Manager – Supply Chain in 2015. Jonti joined Fisher & Paykel Healthcare in 2007 as a product design engineer, and since that time has held several roles, both in New Zealand and the United States, in quality, regulatory, and most recently as Group Logistics Manager. Jonti has overseen the implementation of the New Zealand and US distribution hubs and played a key role in the development of our product surveillance system. He holds a Bachelor of Engineering (Mechanical) from Auckland University of Technology and a Master of Business Administration from the University of Auckland.

Nicholas Fourie

VICE PRESIDENT – INFORMATION & COMMUNICATION TECHNOLOGY

Nicholas Fourie was appointed Vice President – Information & Communication Technology in February 2017. Nicholas has been with Fisher & Paykel Healthcare since 2007, and in that time has held various systems engineering and IT management roles, including his most recent position as ICT Manager – Development & Engineering. Prior to joining Fisher & Paykel Healthcare, he worked for the South African division of BHP Billiton. Nicholas holds a Diploma in Computer Engineering from Damelin School of Information Technology in South Africa, and is currently studying towards a Postgraduate Diploma in Business at the University of Auckland.

Financials

FINANCIAL COMMENTARY

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 comparative 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 2017 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 year. The company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

Constant Currency Income Statements	Year ended 31 March 2015 NZ$000	Year ended 31 March 2016 NZ$000	Variation 2015 to 2016 %	Year ended 31 March 2017 NZ$000	Variation 2016 to 2017 %
Operating revenue	**711,965**	**807,785**	**+13**	**918,723**	**+14**
Cost of sales	277,450	292,496	+5	313,724	+7
Gross profit	434,515	515,289	+19	604,999	+17
Gross margin	**61.0%**	**63.8%**	**+276bps**	**65.9%**	**+206bps**
Other income	5,000	5,000	–	5,000	–
Selling, general and administrative expenses	195,848	241,339	+23	279,493	+16
Research & development expenses	64,987	73,288	+13	86,001	+17
Total operating expenses	260,835	314,627	+21	365,494	+16
Operating profit	**178,680**	**205,662**	**+15**	**244,505**	**+19**
Operating margin	**25.1%**	**25.5%**	**+36bps**	**26.6%**	**+115bps**
Financing expenses (net)	9,464	6,151	-35	3,296	-46
Profit before tax	**169,216**	**199,511**	**+18**	**241,209**	**+21**

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2017, are USD 0.68, EUR 0.61, AUD 0.90, GBP 0.475, CAD 0.89, JPY 77 and MXN 11.80.

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

Reconciliation of Constant Currency to Actual Income Statements Year ended 31 March	2015 NZ$000	2016 NZ$000	2017 NZ$000
Profit before tax (constant currency)	**169,216**	**199,511**	**241,209**
Spot exchange rate effect	(40,600)	1,509	(22,189)
Foreign exchange hedging result	27,893	(4,005)	22,090
Balance sheet revaluation	2,257	3,815	(2,666)
Profit before tax (as reported)	**158,766**	**200,830**	**238,444**

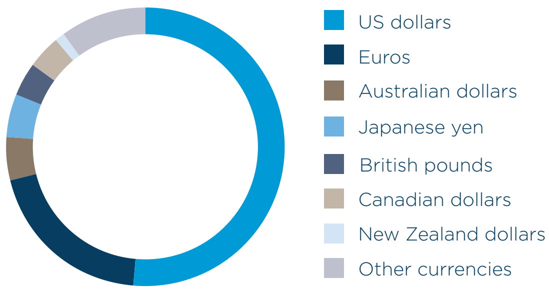
The reconciliation set out above illustrates that, when comparing the NZ dollar profit before tax shown in the actual income statement for the year to 31 March 2017 with the corresponding period for the prior year:

- the movement in average daily spot exchange rates had an unfavourable impact of NZ$23.7 million; and
- the result of the company's foreign exchange hedging activities was higher by NZ$26.1 million.

Overall, the net unfavourable effect of movements in exchange rates and the hedging programme was NZ$4.1 million, including the impact of balance sheet revaluations.

FOREIGN EXCHANGE EFFECTS

The company is exposed to movements in foreign exchange rates, with approximately 52% of operating revenue generated in US dollars, 20% in Euros, 5% in Australian dollars, 5% in Japanese yen, 4% in British pounds, 3% in Canadian dollars, 1% in New Zealand dollars and 10% in other currencies.



In the current period the proportion of revenue which was generated in US dollars has remained steady at 52% as no substantial change in the company's operations were made. In the prior year the level of revenue generated in US dollars increased due to the change in hospital products distribution in the United States from July 2015. The company's cost base continues to be increasingly diverse, as manufacturing output from Mexico has increased to 34% of total output.

The value of the New Zealand dollar appreciated against most of the currencies in which the company receives revenue, particularly the Euro. This appreciation of the New Zealand dollar and some opportunities to enter new hedges at favourable rates during the year resulted in a foreign exchange hedging gain of NZ$22.1 million (2016: NZ$4.0 million loss) to operating profit. Volatility in the value of the New Zealand dollar during FY17 has provided good opportunities for the company to add further hedging for FY18 through FY20.

The average daily spot rate and the average conversion 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 years ended 31 March 2016 and 2017 are set out in the table below:

	Average Daily Spot Rate Year ended 31 March		Average Conversion Exchange Rate Year ended 31 March	
	2016	2017	2016	2017
USD	0.6786	0.7090	0.7235	0.6957
EUR	0.6145	0.6467	0.5794	0.5935

The effect of balance sheet translations of offshore assets and liabilities for the year ended 31 March 2017 resulted in a decrease in operating revenue of NZ$3.7 million (2016: NZ$8.1 million increase) and a decrease in profit before tax of NZ$2.0 million (2016: NZ$2.7 million increase).

FOREIGN EXCHANGE HEDGING POSITION

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

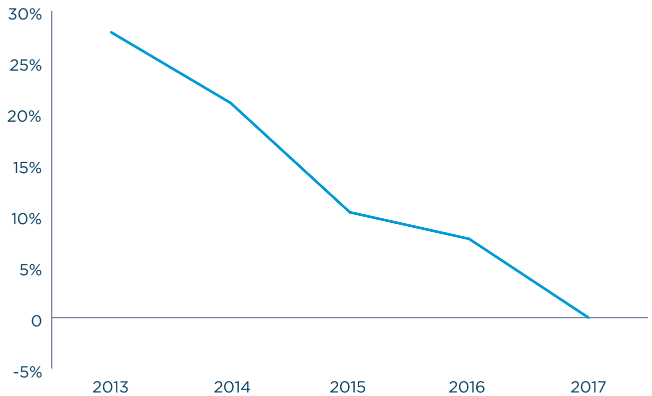
	Year to 31 March				
	2018	2019	2020	2021	2022
USD % cover of expected exposure	88%	59%	39%	21%	0%
USD average rate of cover	0.677	0.671	0.648	0.624	–
EUR % cover of expected exposure	85%	63%	8%	0%	0%
EUR average rate of cover	0.600	0.619	0.601	–	–

FINANCIAL COMMENTARY

BALANCE SHEET

Gearing[1] at 31 March 2017 was 0.0%, lower than the 7.7% gearing at 31 March 2016. The decrease in gearing since 31 March 2016 is a result of strong operating cash flow, generated from improved earnings, partially offset by working capital growth. The gearing figure sits within the debt to debt plus equity target range of +5% to –5%.

Gearing[1]



FUNDING

The company had total available committed debt funding of NZ$219 million as at 31 March 2017, of which approximately NZ$166 million was undrawn, and cash on hand of NZ$61 million. On 4 April 2017 a new NZ$40 million equivalent multi-currency facility was established, which increased the company's total available committed debt funding to NZ$255 million. Bank debt facilities provide all available funding given the modest level of requirements. Over the next 12 months debt facilities totalling NZ$50 million will mature. As at 31 March 2017, the weighted average maturity of borrowing facilities was 2.7 years.

Debt Maturity

The average maturity of the debt of NZ$45 million was 2.8 years and the currency split was 63% US dollars; 25% Euros; 8% Australian dollars and 4% Canadian dollars (no NZD denominated debt).

Interest Rates

As at 31 March 2015 NZ dollar interest rate swaps with a face value of $91 million were de-designated as effective hedges due to the low likelihood that there will be an equivalent amount of NZ dollar debt on an ongoing basis. Through to 31 March 2017 all of these de–designated interest rate swaps were either closed out or had expired. A gain of $0.3 million (2016: $1.8 million) was included in financing expense in relation to these de–designated hedges during the year. Approximately 78% of all borrowings were at fixed interest rates with an average duration of 2.9 years and an average rate of 3.1%. Inclusive of floating rate borrowings, the average interest rate on the debt is currently 2.8%. All interest rates are inclusive of margins but not fees.

Cash Flow

Cash flow from operations was NZ$193.6 million compared with NZ$144.6 million for the year ended 31 March 2016. The increase in cash flow from operations was at a faster pace than earnings growth. The main reason for this was that working capital, in particular trade and other receivables, did not grow as fast as earnings. Receivables were well managed and significant indirect taxes receivable at the end of the prior financial year were collected in the current financial year.

Capital expenditure for the year was NZ$63 million compared with NZ$65.8 million in the prior year. The capital expenditure related predominantly to new product tooling and manufacturing equipment. The decrease in intangible expenditure related to ERP implementation costs. ERP implementation costs for the current year were $5.7 million, which is significantly lower than when the project was at its peak.

1. Net interest-bearing debt (debt less cash and cash equivalents) to net interest-bearing debt and equity (less cash flow hedge reserve – unrealised). Gearing ratios have been calculated at 31 March of each financial year.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2017

	2013 NZ$000	2014 NZ$000	2015 NZ$000	2016 NZ$000	2017 NZ$000
					(except as otherwise stated)
FINANCIAL PERFORMANCE					
Sales revenue	507,250	568,602	644,013	818,492	869,506
Foreign exchange gain (loss) on hedged sales	49,000	54,845	28,335	(3,004)	24,904
Total operating revenue	**556,250**	**623,447**	**672,348**	**815,488**	**894,410**
Cost of sales	(248,406)	(258,049)	(261,369)	(293,840)	(303,980)
Gross profit	307,844	365,398	410,979	521,648	590,430
Gross margin	55.3%	58.6%	61.1%	64.0%	66.0%
Other income	2,400	3,700	5,000	5,000	5,000
Selling, general and administrative expenses	(151,791)	(171,453)	(180,909)	(242,279)	(269,311)
Research and development expenses	(45,720)	(54,146)	(64,987)	(73,288)	(86,001)
Total operating expenses	**(197,511)**	**(225,599)**	**(245,896)**	**(315,567)**	**(355,312)**
Operating profit before financing costs	112,733	143,499	170,083	211,081	240,118
Operating margin	20.3%	23.0%	25.3%	25.9%	26.8%
Net financing (expense)	(3,347)	(6,835)	(11,317)	(10,251)	(1,674)
Profit before tax	109,386	136,664	158,766	200,830	238,444
Tax expense	(32,333)	(39,611)	(45,593)	(57,405)	(69,292)
Profit after tax	**77,053**	**97,053**	**113,173**	**143,425**	**169,152**
Revenue by region:					
North America	241,123	261,620	290,692	385,860	432,999
Europe	181,422	211,861	223,403	253,718	271,996
Asia Pacific	106,637	118,869	127,240	142,624	154,813
Other	27,068	31,097	31,013	33,286	34,602
Total	**556,250**	**623,447**	**672,348**	**815,488**	**894,410**
Revenue by product group:					
Hospital products	301,503	336,851	357,259	436,324	500,447
Homecare products	235,778	270,048	302,029	365,758	381,459
Core products subtotal	537,281	606,899	659,288	802,082	881,906
Distributed and other products	18,969	16,548	13,060	13,406	12,504
Total	**556,250**	**623,447**	**672,348**	**815,488**	**894,410**

FIVE YEAR FINANCIAL SUMMARY CONTINUED

For the year ended 31 March 2017

	2013 NZ$000	2014 NZ$000	2015 NZ$000	2016 NZ$000	2017 NZ$000 (except as otherwise stated)
FINANCIAL POSITION					
Tangible assets	528,253	551,551	589,851	667,543	755,546
Intangible assets	90,344	78,774	79,965	99,260	122,645
Total assets	618,597	630,325	669,816	766,803	878,191
Liabilities	(246,366)	(224,203)	(198,626)	(225,134)	(216,566)
Shareholders' equity	**372,231**	**406,122**	**471,190**	**541,669**	**661,625**
Net tangible asset backing (cents per share)	69.1	73.0	79.7	86.3	105.6
Pre-tax return on average total assets percentage	18.4%	21.9%	24.4%	28.0%	29.0%
Pre-tax return on average equity percentage	30.4%	35.1%	36.2%	39.7%	39.6%
CASH FLOWS					
Net cash flow from operating activities	81,531	99,504	146,832	144,574	193,568
Net cash flow (used in) investing activities	(61,976)	(31,860)	(53,575)	(65,715)	(62,878)
Net cash flow (used in) financing activities	(21,547)	(62,144)	(90,999)	(74,674)	(87,785)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	537,560,800	547,094,526	555,542,677	561,036,045	566,124,701
Weighted diluted average shares outstanding	559,097,010	565,973,595	569,548,997	572,037,753	574,339,178
Basic shares outstanding at end of the year	542,612,236	551,110,270	557,940,257	563,841,265	567,686,436
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	7.0	7.0	7.0	8.0	10.0
Interim	5.4	5.4	5.8	6.7	8.25
Total ordinary dividends	12.4	12.4	12.8	14.7	18.25
Basic earnings per share	14.3	17.7	20.4	25.6	29.9
Diluted earnings per share	13.8	17.1	19.9	25.1	29.5

(i) Final dividend relates to the prior financial year.

FIVE YEAR FINANCIAL SUMMARY CONTINUED

For the year ended 31 March 2017

	2013 NZ$000	2014 NZ$000	2015 NZ$000	2016 NZ$000	2017 NZ$000 (except as otherwise stated)
PATENTS					
Number of United States patents	107	111	118	138	161
Number of United States patent applications (includes PCTs*)	159	220	287	329	357
Number of non-United States patents	442	459	496	559	714
Number of non-United States patent applications (excludes PCTs*)	260	306	410	582	732
RESEARCH AND DEVELOPMENT					
Research and development expenditure	45,720	54,146	64,987	73,288	86,001
Percentage of operating revenue	8.2%	8.7%	9.7%	9.0%	9.6%
CAPITAL EXPENDITURE					
Operational	24,725	23,961	38,071	46,280	44,101
Land and buildings	33,821	3,344	1,200	1,737	3,771
Total	58,546	27,305	39,271	48,017	47,872
Capital expenditure : depreciation ratio	2.5	1.0	1.4	1.6	1.5
NUMBER OF EMPLOYEES					
By function:					
Research and development	359	403	433	509	563
Manufacturing and operations	1,641	1,743	1,818	1,992	2,405
Sales, marketing and distribution	645	727	738	907	948
Management and administration	113	139	162	179	196
Total	2,758	3,012	3,151	3,587	4,112
By region:					
New Zealand	1,753	1,904	1,943	2,142	2,307
North America	627	681	751	922	1,231
Europe	205	217	221	258	271
Rest of World	173	210	236	265	303
Total	2,758	3,012	3,151	3,587	4,112

* PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions

FIVE YEAR FINANCIAL SUMMARY CONTINUED

For the year ended 31 March 2017

	2013 NZ$000	2014 NZ$000	2015 NZ$000	2016 NZ$000	2017 NZ$000
					(except as otherwise stated)
AVERAGE DAILY SPOT EXCHANGE RATES (NZ$1 =)**					
USD	0.8142	0.8208	0.8098	0.6786	0.7090
AVERAGE CONVERSION EXCHANGE RATES (NZ$1 =)***					
USD	0.6801	0.6740	0.7896	0.7235	0.6957
EUR	0.5077	0.4998	0.5259	0.5794	0.5935
GBP	0.4975	0.5153	0.4953	0.4718	0.4812
AUD	0.7855	0.8205	0.8583	0.9000	0.9143
CAD	0.7325	0.7637	0.8130	0.8720	0.8787
JPY	58.3516	64.9652	68.2676	68.3762	69.6710
MXN	10.1535	10.1436	10.6783	10.7109	12.0864

** Exchange rates used for the translation of NZD financial results to USD.

*** Actual exchange rates achieved in delivering or purchasing net foreign currency in relation to the Group's exposures. The average rate includes hedged and spot transactions in each year.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	Notes	2016 NZ$000	2017 NZ$000
Operating revenue	4	**815,488**	**894,410**
Cost of sales		(293,840)	(303,980)
Gross profit		521,648	590,430
Other income	5	5,000	5,000
Selling, general and administrative expenses		(242,279)	(269,311)
Research and development expenses		(73,288)	(86,001)
Total operating expenses		**(315,567)**	**(355,312)**
Operating profit before financing costs		**211,081**	**240,118**
Financing income		102	415
Financing expense		(6,384)	(3,521)
Exchange gain (loss) on foreign currency borrowings		(3,969)	1,432
Net financing (expense)		**(10,251)**	**(1,674)**
Profit before tax	5,11	**200,830**	**238,444**
Tax expense	11	(57,405)	(69,292)
Profit after tax		**143,425**	**169,152**
Basic earnings per share	16	25.6 cps	29.9 cps
Diluted earnings per share	16	25.1 cps	29.5 cps

The accompanying Notes form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2016 NZ$000	2017 NZ$000
Profit after tax		**143,425**	**169,152**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedge reserve			
Changes in fair value	17	6,540	23,838
Transfers to profit before tax	17	(19,797)	(6,106)
Tax on changes in fair value and transfers to profit before tax	11,17	3,712	(4,965)
Costs of hedging reserve			
Changes in fair value	17	–	(2,503)
Transfers to profit before tax	17	–	871
Tax on changes in fair value and transfers to profit before tax	11,17	–	457
Items that will not be reclassified to profit or loss			
Revaluation of land	9	–	21,075
Other comprehensive income for the year, net of tax		**(9,545)**	**32,667**
Total comprehensive income for the year		**133,880**	**201,819**

The accompanying Notes form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Notes	Share capital NZ$000	Treasury shares NZ$000	Retained earnings NZ$000	Asset revaluation reserve NZ$000	Hedge reserves NZ$000	Share based payments reserve NZ$000	Total equity NZ$000
Balance at 31 March 2015		**147,414**	**(1,543)**	**266,771**	**32,459**	**21,634**	**4,455**	**471,190**
Total comprehensive income		**–**	**–**	**143,425**	**–**	**(9,545)**	**–**	**133,880**
Dividends paid	17	–	–	(82,342)	–	–	–	(82,342)
Issue of share capital under dividend reinvestment plan	15	14,150	–	–	–	–	–	14,150
Issue of share capital	15	2,086	–	–	–	–	–	2,086
Movement in share based payments reserve	17	–	–	–	–	–	1,568	1,568
Movement in treasury shares	17	–	(851)	–	–	–	–	(851)
Increase in share capital under share based payment schemes for employee services	15	1,988	–	–	–	–	–	1,988
Balance at 31 March 2016		**165,638**	**(2,394)**	**327,854**	**32,459**	**12,089**	**6,023**	**541,669**
Adjustment on adoption of NZ IFRS 9 (net of tax)	24	–	–	(2,759)	–	2,759	–	–
Total comprehensive income		**–**	**–**	**169,152**	**21,075**	**11,592**	**–**	**201,819**
Dividends paid	17	–	–	(103,211)	–	–	–	(103,211)
Issue of share capital under dividend reinvestment plan	15	13,847	–	–	–	–	–	13,847
Issue of share capital	15	777	–	–	–	–	–	777
Movement in share based payments reserve	17	–	–	–	–	–	2,762	2,762
Movement in treasury shares	17	–	732	–	–	–	–	732
Increase in share capital under share based payment schemes for employee services	15	3,230	–	–	–	–	–	3,230
Balance at 31 March 2017		**183,492**	**(1,662)**	**391,036**	**53,534**	**26,440**	**8,785**	**661,625**

The accompanying Notes form an integral part of the Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2017

	Notes	2016 NZ$000	2017 NZ$000
ASSETS			
Current assets			
Cash and cash equivalents		18,741	61,251
Trade and other receivables	7	131,361	129,642
Inventories	8	120,948	134,982
Derivative financial instruments	6	12,792	21,166
Tax receivable		1,878	2,043
Total current assets		**285,720**	**349,084**
Non-current assets			
Derivative financial instruments	6	20,986	24,155
Other receivables		5,006	2,468
Property, plant and equipment	9	389,609	425,160
Intangible assets	10	35,757	44,475
Deferred tax assets	11	29,725	32,849
Total assets		**766,803**	**878,191**
LIABILITIES			
Current liabilities			
Interest-bearing liabilities	12	16,286	21,091
Trade and other payables	13	101,376	102,140
Provisions	14	3,875	4,034
Tax payable		19,117	14,695
Derivative financial instruments	6	8,869	3,620
Total current liabilities		**149,523**	**145,580**
Non-current liabilities			
Interest-bearing liabilities	12	46,853	39,950
Provisions	14	2,389	2,007
Other payables	13	7,860	8,571
Derivative financial instruments	6	8,336	5,077
Deferred tax liabilities	11	10,173	15,381
Total liabilities		**225,134**	**216,566**

CONSOLIDATED BALANCE SHEET CONTINUED
As at 31 March 2017

	Notes	2016 NZ$000	2017 NZ$000
EQUITY			
Share capital	15	165,638	183,492
Treasury shares	15,17	(2,394)	(1,662)
Retained earnings		327,854	391,036
Asset revaluation reserve	9	32,459	53,534
Hedge reserves	17	12,089	26,440
Share based payments reserve	17	6,023	8,785
Total equity		**541,669**	**661,625**
Total liabilities and equity		**766,803**	**878,191**

The accompanying Notes form an integral part of the Financial Statements.

On behalf of the Board
19 May 2017

Tony Carter
Chairman

Lewis Gradon
Managing Director and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2016 NZ$000	2017 NZ$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		800,451	897,344
Grants received		5,000	5,000
Interest received		102	166
Payments to suppliers and employees		(591,968)	(627,416)
Tax paid		(63,976)	(74,631)
Interest paid		(5,035)	(6,895)
Net cash flows from operations		**144,574**	**193,568**
CASH FLOWS (USED IN) INVESTING ACTIVITIES			
Sales of property, plant and equipment		45	97
Purchases of property, plant and equipment		(48,017)	(47,872)
Purchases of intangible assets		(17,743)	(15,103)
Net cash flows (used in) investing activities		**(65,715)**	**(62,878)**
CASH FLOWS (USED IN) FINANCING ACTIVITIES			
Employee share purchase schemes		631	802
Issue of share capital		939	777
New borrowings		29,683	–
Repayment of borrowings		(37,736)	–
Dividends paid		(68,191)	(89,364)
Net cash flows (used in) financing activities		**(74,674)**	**(87,785)**
Net increase in cash		4,185	42,905
Opening cash		(533)	2,455
Effect of foreign exchange rates		(1,197)	215
Closing cash		**2,455**	**45,575**
RECONCILIATION OF CLOSING CASH			
Cash and cash equivalents		18,741	61,251
Bank overdrafts	12	(16,286)	(15,676)
Closing cash		**2,455**	**45,575**

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

For the year ended 31 March 2017

	2016 NZ$000	2017 NZ$000
CASH FLOW RECONCILIATION		
Profit after tax	**143,425**	**169,152**
Add (deduct) non-cash items:		
Depreciation of property, plant and equipment	30,128	32,152
Amortisation of intangibles	5,075	6,910
Movement in provisions	1,826	(223)
Movement in deferred tax assets / liabilities	(18,330)	(1,981)
Movement in foreign currency option contracts time value	(4,168)	–
Movement in working capital:		
Trade and other receivables	(25,579)	4,257
Inventories	(24,805)	(14,034)
Trade and other payables	20,068	1,980
Taxation payable / receivable	11,660	(4,587)
Foreign currency translation	5,305	(5,197)
Other	(31)	5,139
Net cash flows from operations	**144,574**	**193,568**

The accompanying Notes form an integral part of the Financial Statements.

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. REPORTING ENTITY

Fisher & Paykel Healthcare Corporation Limited (the "Company" or "Parent") together with its subsidiaries (the "Group") is a leading designer, manufacturer and marketer of medical device products and systems for use in respiratory care, acute care, surgery and the treatment of obstructive sleep apnea. Products are sold in over 120 countries worldwide. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 15 Maurice Paykel Place, East Tamaki, Auckland. These financial statements were approved for issue by the Board of Directors on 19 May 2017.

2. BASIS OF PREPARATION

Statement of compliance and measurement base

The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX). The consolidated financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013. These consolidated financial statements for the year ended 31 March 2017 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The Group is a for-profit entity for the purposes of complying with NZ GAAP.

Significant accounting policies

Accounting policies are disclosed in each of the applicable notes to the financial statements and are designated with an AP symbol.

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and/or other comprehensive income, and the revaluation of land.

Functional and presentation currency

Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The Group operates as one integrated business. The financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using either the exchange rates prevailing at the dates of the transactions or at rates that approximate the actual exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors regularly review all accounting policies and areas of judgement in presenting the financial statements. Significant estimates are disclosed in each of the applicable notes to the financial statements and are designated with an E symbol.

3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at balance date and the results of all subsidiaries for the year then ended.

Intercompany transactions and balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

4. OPERATING REVENUE

	2016 NZ$000	2017 NZ$000
Sales revenue	818,492	869,506
Foreign exchange gain (loss) on hedged sales	(3,004)	24,904
Total operating revenue	**815,488**	**894,410**
Revenue by Product Group		
Hospital products	436,324	500,447
Homecare products	365,758	381,459
	802,082	881,906
Distributed and other products	13,406	12,504
Total operating revenue	**815,488**	**894,410**

AP

Revenue includes the fair value of the consideration received or receivable for the sale of products, net of sales taxes and other indirect taxes, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will accrue to the Group, and in accordance with the terms of sale when title has been transferred and the benefits of ownership and risk pass to the customer.

5. OPERATING PROFIT

	2016 NZ$000	2017 NZ$000
Profit before tax is after charging the following specific expenses:		
Auditors' fees:		
Statutory audit and half year review	1,137	930
Other assurance services	33	39
Total audit and other assurance services	1,170	969
Other services	225	188
Total fees paid to auditors	**1,395**	**1,157**
Donations	54	57
Inventory written off (net)	2,186	3,535
Rental and lease expense	9,525	10,493
Intellectual Property litigation expense (Note 19)	–	20,653

Other fees paid to auditors

Other assurance services include assurance procedures in relation to compliance with constant currency framework.

Other services includes tax compliance services, advisory services in relation to accounting standards, cyber security and crisis management training, remuneration benchmarking, and treasury and risk management services.

	2016	2017
Profit before tax is after crediting the following specific income:		
Research & Development growth grant	5,000	5,000

AP

Government Grants

Government Grants are recognised in the Income Statement over the same period that the related costs are expensed. Government Grants are recognised when there is reasonable assurance the Group will comply with the conditions attaching to the grants.

Research & Development growth grant

The Callaghan Growth Grant provides reimbursement for eligible Research & Development 'R&D' expenditure up to a maximum of $5.0 million per annum (excluding GST). The three year term of the Callaghan Growth Grant concluded on 30 September 2016 and the Group was granted an extension for a further two year period to 30 September 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2017	
	Assets NZ$000	Liabilities NZ$000	Assets NZ$000	Liabilities NZ$000
CURRENT				
Foreign currency forward exchange contracts – cash flow hedges	11,164	4,510	14,549	2,999
Foreign currency forward exchange contracts – not hedge accounted	131	–	–	99
Foreign currency option contracts – cash flow hedges	944	830	5,767	–
Foreign currency option contracts – time value	553	1,424	709	–
Interest rate swaps – cash flow hedges	–	2,105	66	522
Interest rate options – cash flow hedges	–	–	75	–
	12,792	**8,869**	**21,166**	**3,620**
NON-CURRENT				
Foreign currency forward exchange contracts – cash flow hedges	9,600	4,179	14,133	4,715
Foreign currency forward exchange contracts – not hedge accounted	–	–	–	–
Foreign currency option contracts – cash flow hedges	6,507	24	7,962	–
Foreign currency option contracts – time value	4,869	166	1,491	–
Interest rate swaps – cash flow hedges	10	3,967	363	362
Interest rate options – cash flow hedges	–	–	206	–
	20,986	**8,336**	**24,155**	**5,077**

AP

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group generally applies hedge accounting to all derivative financial instruments.

The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or (2) hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. The Group also documents their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items. Derivatives that are designated as hedges will be classified as non-current if they have maturities greater than 12 months after the balance sheet date.

Some components of hedge accounted derivatives are excluded from the designated risk. Cash flow hedges include only the intrinsic value of options. Time value on options is excluded from the hedge designation and is marked to market through Other Comprehensive Income and accumulated within a separate component of equity (‘the Costs of Hedging Reserve’ within ‘Hedge Reserves’) until such time as the related hedge accounted cash flows affect profit or loss. At this stage the cumulative amount is reclassified to profit or loss.

Master netting arrangements

The Group enters into derivative transactions under the International Swaps and Derivatives Associate (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting derivatives in the Balance Sheet. Netting arrangements are only enforceable upon early termination, for example, on occurrence of a credit default.

Refer to Note 22 for information on the calculation of fair values and maturity of undiscounted cash flows for these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

6. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Contractual amounts of derivative financial instruments were as follows:

	2016 NZ$000	2017 NZ$000
Foreign currency forward contracts and options		
Purchase commitments forward exchange contracts	50,988	60,509
Sale commitments forward exchange contracts	431,972	582,115
Foreign currency borrowing forward exchange contracts	4,259	3,709
NZD call option contracts purchased	3,008	–
Collar option contracts – NZD call options purchased (1)	274,527	193,043
Collar option contracts – NZD put options sold (1)	307,381	214,089
Interest rate derivatives		
Interest rate swaps	89,821	53,687
Interest rate options	–	21,410

	Foreign Currency	
	2016 000s	2017 000s
Sale commitments		
United States dollars	US$302,250	US$309,000
European Union euros	€ 87,959	€ 110,250
Australian dollars	A$8,150	A$14,225
British pounds	£15,500	£18,000
Canadian dollars	C$8,200	C$13,000
Swedish kronor	kr12,500	kr16,500
Japanese yen	¥2,680,000	¥3,190,000
Chinese yuan	¥44,250	¥46,000
Korean won	₩2,110,665	₩3,746,205
Purchase commitments		
Mexican pesos	Mex$628,500	Mex$815,500

(1) Foreign currency contractual amounts of put and call options are equal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

7. TRADE AND OTHER RECEIVABLES

	2016 NZ$000	2017 NZ$000
CURRENT		
Trade receivables	117,933	116,520
Provision for doubtful trade receivables	(1,704)	(1,098)
	116,229	115,422
Other receivables	15,132	14,220
	131,361	**129,642**

AP

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off when they are considered to have become uncollectable.

Trade receivables credit risk

As at balance date 87% of trade receivables were current (2016: 86%) with less than 2% (2016: 3%) more than 90 days past due. The total provision for doubtful debts covers the majority of these past due balances.

Customer and receivable concentration		
Five largest customers' proportion of the Group's:		
Operating revenue	18.4%	19.8%
Trade receivables	15.9%	16.2%

There is no history of default in relation to these customers. Further information about the credit quality and the Group's exposure to credit risk can be found in Note 22.

8. INVENTORIES

	2016 NZ$000	2017 NZ$000
Materials	32,236	35,602
Finished products	98,418	110,145
Provision for obsolescence	(9,706)	(10,765)
	120,948	**134,982**

AP

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

9. PROPERTY, PLANT AND EQUIPMENT

AP

Land is measured at fair value, based on periodic but at least triennial valuations by external independent valuers less any impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the fair value does not differ materially from its carrying amount.

All other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. This cost includes labour attributable to bringing the assets to the location and working condition for its intended use.

Depreciation is generally calculated using the straight line method and is expensed over the estimated useful lives. Depreciation methods, residual values and useful lives are reassessed at each reporting date. Estimated useful lives are as follows:

Buildings – structure	25 – 50 years
Buildings – fit-out and other	3 – 50 years
Plant and equipment	3 – 15 years

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Revaluations of land

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the Income Statement, in which case the increment is recognised in the Income Statement.

Any revaluation decrement is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Land	Buildings		Plant & equipment	Capital projects		Total
	Fair Value	Structure	Fit out and other		Buildings	Other	
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cost and revaluation							
Balance at 31 March 2015	95,675	89,410	124,915	211,907	444	35,977	558,328
Additions	–	–	1,032	5,400	1,737	44,101	52,270
Transfers	–	–	1,623	23,062	(1,623)	(23,062)	–
Disposals	–	–	(168)	(4,654)	–	–	(4,822)
Balance at 31 March 2016	**95,675**	**89,410**	**127,402**	**235,715**	**558**	**57,016**	**605,776**
Revaluation	21,075	–	–	–	–	–	21,075
Additions	250	–	840	25,272	3,342	17,153	46,857
Transfers	–	52	490	24,047	(542)	(24,047)	–
Disposals	–	–	–	(4,463)	–	–	(4,463)
Balance at 31 March 2017	**117,000**	**89,462**	**128,732**	**280,571**	**3,358**	**50,122**	**669,245**
Depreciation and impairment losses							
Balance at 31 March 2015	–	12,737	47,040	131,123	–	–	190,900
Depreciation charge for the year	–	1,806	5,350	22,972	–	–	30,128
Disposals	–	–	(168)	(4,693)	–	–	(4,861)
Balance at 31 March 2016	**–**	**14,543**	**52,222**	**149,402**	**–**	**–**	**216,167**
Depreciation charge for the year	–	1,807	6,117	24,228	–	–	32,152
Disposals	–	–	–	(4,234)	–	–	(4,234)
Balance at 31 March 2017	**–**	**16,350**	**58,339**	**169,396**	**–**	**–**	**244,085**
Carrying amounts							
At 31 March 2015	95,675	76,673	77,875	80,784	444	35,977	367,428
At 31 March 2016	95,675	74,867	75,180	86,313	558	57,016	389,609
At 31 March 2017	**117,000**	**73,112**	**70,393**	**111,175**	**3,358**	**50,122**	**425,160**

Land revaluation

The Group's land holding was valued by Jones Lang LaSalle (JLL), with an effective date of 31 March 2017 in accordance with the Australia and New Zealand Property Institute Valuation Standards and the provisions of NZ IAS16 *Property, Plant and Equipment* and NZ IFRS 13 *Fair Value Measurement*. The valuation was performed using a comparable sales comparison methodology based on an average prices per square metre of $311 for land that has improvements and $305 for development land. The last valuation was performed by Darroch Limited at 31 March 2015. The change in value from the 2015 valuation, being an increment of $21.1 million, is included in Other Comprehensive Income and added to the asset revaluation reserve in equity. The historical cost of the land is $63.5 million (2016: $63.2 million).

E As described in Note 22 land is considered to be a level 3 asset within the fair value hierarchy for valuation purposes. There are certain estimates associated with determining fair value.

The independent valuation of the New Zealand land and buildings, excluding capital projects and leasehold improvements, conducted by JLL as at 31 March 2017 was $295.8 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. INTANGIBLE ASSETS

	Software	Patents, trademarks & applications	Other	ERP Project in Progress	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cost					
Balance at 31 March 2015	14,165	21,123	4,996	9,909	50,193
Additions	1,579	5,406	35	11,381	18,401
Transfers	19,993	–	–	(19,993)	–
Disposals	(128)	(251)	–	–	(379)
Balance at 31 March 2016	**35,609**	**26,278**	**5,031**	**1,297**	**68,215**
Additions	6,911	7,722	–	995	15,628
Transfers	2,021	–	–	(2,021)	–
Disposals	(183)	–	–	–	(183)
Balance at 31 March 2017	**44,358**	**34,000**	**5,031**	**271**	**83,660**
Amortisation and impairment losses					
Balance at 31 March 2015	11,084	13,133	3,546	–	27,763
Amortisation for the year	2,598	2,442	35	–	5,075
Disposals	(128)	(252)	–	–	(380)
Balance at 31 March 2016	**13,554**	**15,323**	**3,581**	**–**	**32,458**
Amortisation for the year	3,282	3,628	–	–	6,910
Disposals	(183)	–	–	–	(183)
Balance at 31 March 2017	**16,653**	**18,951**	**3,581**	**–**	**39,185**
Carrying amounts					
At 31 March 2015	3,081	7,990	1,450	9,909	22,430
At 31 March 2016	22,055	10,955	1,450	1,297	35,757
At 31 March 2017	**27,705**	**15,049**	**1,450**	**271**	**44,475**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. INTANGIBLE ASSETS CONTINUED

AP

Software: Acquired computer software licences are initially capitalised at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use including employee costs. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Software costs are amortised over the useful economic life of 3 to 15 years.

Patents and trademarks: Patents and trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents and trademarks over their anticipated useful lives of 5 to 15 years. In the event of a patent being superseded or a trademark registration is not continued or renewed, the unamortised costs are expensed immediately.

The ERP implementation project is being capitalised in stages as each implementation is undertaken. As each implementation is completed its costs are transferred from ERP Project in Progress to Software.

11. INCOME TAX

INCOME TAX EXPENSE

	2016 NZ$000	2017 NZ$000
Profit before tax	**200,830**	**238,444**
Tax expense at the New Zealand rate of 28%	56,232	66,764
Adjustments to tax:		
Non-assessable income	(380)	(421)
Non-deductible expenses	1,132	1,289
Foreign rates other than 28%	1,400	933
Effect of foreign currency translations	(701)	570
Other	(278)	157
Tax expense	**57,405**	**69,292**
This is represented by:		
Current tax	68,987	70,847
Deferred tax	(11,582)	(1,555)
Tax expense	**57,405**	**69,292**
Effective tax rate	28.6%	29.1%

IMPUTATION CREDITS

	2016	2017
New Zealand imputation credits available for use in subsequent reporting periods	45,201	70,519
Australian franking credits available for use in subsequent reporting periods	6,789	7,478

AP

Tax expense comprises current and deferred tax. Tax expense is recognised in the Income Statement except to the extent that it relates to items recognised outside of the Income Statement, in which case it is recognised in Other Comprehensive Income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date. It also includes any adjustment to tax payable in respect of previous financial years.

Deferred tax arises due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for tax purposes.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by balance date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

11. INCOME TAX CONTINUED

DEFERRED TAX

	Provisions and accruals	Property, plant and equipment	Intangibles	Financial instruments	Other	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Balance at 31 March 2015	26,246	(16,331)	1,952	(8,413)	804	4,258
Amounts recognised in Other Comprehensive Income	–	–	–	3,712	–	3,712
Amounts recognised in Income Statement	11,489	(1,284)	2,336	–	(959)	11,582
Balance at 31 March 2016	**37,735**	**(17,615)**	**4,288**	**(4,701)**	**(155)**	**19,552**
Amounts recognised in Other Comprehensive Income	–	–	–	(4,508)	–	(4,508)
Amounts recognised in Share Based Payments Reserve	–	–	–	–	869	869
Amounts recognised in Income Statement	4,529	(984)	(2,550)	244	316	1,555
Balance at 31 March 2017	**42,264**	**(18,599)**	**1,738**	**(8,965)**	**1,030**	**17,468**

Deferred tax assets and liabilities are offset within the Balance Sheet where they relate to income taxes levied by the same taxation authority.

	2016 NZ$000	2017 NZ$000
Balance at end of the year		
Deferred tax assets	29,725	32,849
Deferred tax liabilities	(10,173)	(15,381)
	19,552	**17,468**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

12. INTEREST-BEARING LIABILITIES

	2016 NZ$000	2017 NZ$000
CURRENT		
Bank overdrafts	16,286	15,676
Borrowings	–	5,415
	16,286	**21,091**
NON-CURRENT		
Borrowings expiring		
Between one and two years	5,549	8,362
Between two and three years	12,356	3,041
Between three and four years	–	28,547
Between four and five years	28,948	–
	46,853	**39,950**

AP

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are measured at amortised cost, applying the effective interest rate method. Financing expenses directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing Facilities

Borrowings have been aged in accordance with the expiry dates of the facilities as there are no required principal payments before the expiry of each facility. At year end the weighted average interest rate is 2.8% (2016: 2.7%)

Key lenders to the Group are Debt Certificate Holders under the Negative Pledge Deed. In April 2017, an amended Negative Pledge Deed was executed. The negative pledge includes the covenant that security can be given only in limited circumstances.

The companies in the Group providing the undertakings under the Negative Pledge Deed are:

Fisher & Paykel Healthcare Corporation Limited

Fisher & Paykel Healthcare Limited

Fisher & Paykel Healthcare Treasury Limited

Fisher & Paykel Healthcare Properties Limited

The principal covenants of the negative pledge are that:

(a) the interest cover ratio for the Group shall not be less than 3 times earnings before interest, tax, depreciation and amortisation (EBITDA);

(b) the net tangible assets of the Group shall not be less than $200 million; and

(c) the total tangible assets of the Guaranteeing Group shall constitute at least 80% of the total tangible assets of the Group.

Refer to Note 22 (d) for further information on these covenants.

	2016 NZ$000	2017 NZ$000
Unused lines of credit		
Bank overdraft facilities	24,093	23,564
Borrowing facilities	184,864	150,496
	208,957	**174,060**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

13. TRADE AND OTHER PAYABLES

	2016 NZ$000	2017 NZ$000
CURRENT		
Trade payables	36,963	29,320
Employee entitlements	34,121	39,393
Other payables and accruals	30,292	33,427
	101,376	**102,140**
NON CURRENT		
Employee entitlements	6,406	7,107
Other payables and accruals	1,454	1,464
	7,860	**8,571**

AP

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Refer to Note 18 for further details of employee entitlements and benefits.

14. PROVISIONS

	2016 NZ$000	2017 NZ$000
Warranty provision		
CURRENT		
Balance at beginning of the year	2,614	3,875
Current year provision	7,694	5,470
Warranty expenses incurred	(6,433)	(5,311)
Balance at end of the year	**3,875**	**4,034**
NON-CURRENT		
Balance at beginning of the year	1,824	2,389
Current year provision	565	(382)
Warranty expenses incurred	–	–
Balance at end of the year	**2,389**	**2,007**

AP

Provisions are recognised where the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Warranty

Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred on warranty exposure. Currently warranty terms are 1 to 2 years for parts or parts and labour.

As the provision for warranty is based on historical warranty rates, the actual future warranty claims experienced by the Group may be different to that of the past. Factors that could impact the provision for warranty include the success of the Group's quality system, as well as future parts and labour costs. Where the Group is aware of specific product warranty issues these are included in the provision.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

15. SHARE CAPITAL

	2016 NZ$000	2017 NZ$000
Share capital at beginning of the year	147,414	165,638
Issue of share capital under dividend reinvestment plan (i)	14,150	13,847
Issue of share capital	2,086	777
Increase in share capital under share based payment schemes for employee services	1,988	3,230
Share capital at end of the year	165,638	183,492
Less treasury shares	(2,394)	(1,662)
	163,244	**181,830**
Number of issued shares		
Number of shares on issue at beginning of the year	557,940,257	563,841,265
Shares issued:		
Dividend reinvestment plan (i)	1,868,718	1,478,690
Employee share purchase schemes	217,478	–
Exercise of share options	343,352	296,540
Exercise of share options under cancellation facility	2,935,870	1,502,991
Exercise of performance share rights	535,590	566,950
Total number of shares on issue	563,841,265	567,686,436
Less treasury shares	(538,100)	(310,176)
	563,303,165	**567,376,260**

AP

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

All shares are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

(i) 1,478,690 (2016: 1,868,718) shares were issued under the Company's dividend reinvestment plan at an average price of $9.36 (2016: $7.57) per share.

16. EARNINGS PER SHARE

	2016 NZ$000	2017 NZ$000
Profit after tax	**143,425**	**169,152**
Weighted average number of ordinary shares (000's)	561,036	566,125
Adjustment for share options and PSRs (000's)	11,002	8,214
Weighted average number of ordinary shares for diluted earnings per share (000's)	572,038	574,339
Basic earnings per share (cents per share)	25.6 cps	29.9 cps
Diluted earnings per share (cents per share)	25.1 cps	29.5 cps

AP

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Options are convertible into the Company's shares, and are therefore considered dilutive securities for diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

17. RESERVES

	2016 NZ$000	2017 NZ$000
Cash flow hedge reserve		
Balance at beginning of the year	21,634	12,089
Revaluation of derivative financial instruments	6,540	23,838
Transfers to profit before tax	(19,797)	(6,106)
Tax on changes in fair value and transfers to profit before tax	3,712	(4,965)
Balance at end of the year	**12,089**	**24,856**
Costs of hedging reserve		
Balance at beginning of the year	–	–
Adjustment on adoption of IFRS9	–	2,759
Revaluation of derivative financial instruments	–	(2,503)
Transfers to profit before tax	–	871
Tax on changes in fair value and transfers to profit before tax	–	457
Balance at end of the year	**–**	**1,584**
Employee share based payment reserve		
Balance at beginning of the year	4,455	6,023
Employee expense for the year	3,353	4,128
Tax on share based payment transactions	–	1,864
Transfer to share capital on exercise or lapse of vested options	(1,785)	(3,230)
Balance at end of the year	**6,023**	**8,785**
Treasury shares		
Balance at beginning of the year	(1,543)	(2,394)
Treasury shares issued to employee share purchase plans	(1,397)	–
Shares transferred to employees	546	732
Balance at end of the year	**(2,394)**	**(1,662)**
Dividends		
Final 2016 (2015)	(44,652)	(56,454)
Interim 2017 (2016)	(37,690)	(46,757)
	(82,342)	**(103,211)**

Nature and purpose of reserves

Hedging Reserves

Cash flow hedge reserve: This reserve is used to record unrealised gains or losses on hedging instruments that are recognised directly in equity.

Costs of hedging reserve: This reserve contains the cumulative net change in the fair value of time value on currency options which are excluded from hedge designations of foreign currency risk.

Amounts are recycled to the Income Statement when the associated hedged transactions affect the Income Statement.

Employee share based payments reserve

The employee share option reserve is used to recognise the fair value of options and performance share rights granted but not exercised or lapsed. Tax deductions in excess of the cumulative share based payment expense are recognised in equity.

Amounts are transferred to share capital (including income tax benefits) when the vested options or performance share rights are exercised by the employee or lapse upon expiry.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of land. For details refer to Note 9.

Treasury shares

The treasury shares reserve is used to recognise those shares held and controlled by Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited.

Dividends

All dividends are recognised as distributions to shareholders.

During the year, supplementary dividends of $9,456,000 were paid to non resident shareholders (2016: $6,995,000), for which the Group received a foreign tax credit entitlement. The foreign tax credit entitlement is presented net of income taxes paid within the Cash Flow Statement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

18. EMPLOYEE BENEFITS

	2016 NZ$000	2017 NZ$000
Wages and salaries	257,312	273,482
Other employment costs	12,654	13,650
Employer contributions defined contribution superannuation plans inclusive of tax	6,705	6,962
Employer contributions defined benefit superannuation plans inclusive of tax	12	6
Equity settled share based payment expense	3,353	4,128
Movement in liability for long service leave	1,640	1,245
	281,676	**299,473**

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Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Equity settled share based payments
The fair value (at grant date) of performance share rights (PSRs) and options granted to employees is recognised as an employee expense in the Income Statement over the vesting period with a corresponding increase in the employee share based payment reserve. When options or PSRs are exercised, the amount in the share based payment reserve relating to those options, together with the option exercise price paid by the employee, is transferred to share capital. When any vested options or PSRs lapse, upon employee termination or unexercised options reaching maturity, the amount in the share based payment reserve relating to those options or PSRs is also transferred to share capital.

a) Employee share-based compensation
The Board believes that the issue of a combination of options and share rights broadly in equal value proportions provides appropriate incentive for participating employees to grow the total shareholder return of the Company. The combination of the Option Plan and the Share Rights Plan assists the Group to attract, motivate and retain key employees in an environment where such employees are in high demand both within New Zealand and internationally. Options and share rights are issued to employees under the Option Plan and Share Rights Plan as a long-term component of remuneration in accordance with the Group's remuneration policy. Details of the Option and Share Rights issues are described below.

(i) Employee option plans

The Employee Share Option Plans allow Group employees to acquire shares of the Company. One option gives the employee the right to subscribe for one ordinary share in the Company subject to meeting the vesting conditions. No amount is payable for the grant of options.

Options granted since the 2013 financial year vest at any time between the third and the fifth anniversary of the grant date, as long as the Company's share price on the NZX has, at any time on or after the third anniversary, exceeded the "escalated price" and as long as the employee remains in the service of the Group. This "escalated price" is determined using a base price established on or around the grant date being the volume weighted average price for a share on the NZSX for the 5 business days prior to the grant date; and

- increasing the last calculated base price each year by a percentage determined by the Board, based on independent advice, to represent the Company's cost of capital; and
- reducing the resulting figure by any dividend paid by the Company in respect of a share in the 12 month period immediately preceding that anniversary.

Options granted prior to the 2013 financial year have slightly different vesting conditions; the fair value of these options was measured using the Binomial Options Pricing Model, taking into account the terms and conditions upon which the options were granted.

(ii) Employee performance share rights plan

The Employee Performance Share Rights (PSR) Plan allows Group employees to acquire shares of the Company. One share right gives the employee the potential to exercise a share right for an ordinary share in the Company at no cost. Share rights become exercisable if the Company's gross total shareholder return (TSR) performance exceeds the performance of the Dow Jones US Select Medical Equipment Total Return Index (DJSMQDT) in New Zealand dollars over the same period. If the Company's TSR performance exceeds that of the DJSMQDT at either of the third, fourth or fifth anniversary of the grant date of the PSRs, some or all of the PSRs become exercisable as long as the employee remains in the service of the Group. Where an employee has exercised a portion of their PSRs before the fifth anniversary of the grant date, the remaining PSRs lapse at the time that portion has been exercised.

All unexercised PSRs expire on the fifth anniversary of the grant date.

PSRs and Options granted to employees have no voting rights until they have been exercised and ordinary shares issued.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. EMPLOYEE BENEFITS CONTINUED

(iii) Other Employee share and stock purchase plans

All New Zealand and Australian full time employees are eligible, after a qualifying period, to participate in the Employee Share Purchase Plans, which operate in accordance with sections DC13 and 14 of the New Zealand Income Tax Act 2007, with no interest being charged on the loans, and shares issued at a discount of 20% of market price. The qualifying period between grant and vesting date is 3 years, at which point the shares are transferred to the employees and become freely transferable. 310,176 shares (2016: 538,100) are held by the Trustees of the plans, being 0.1% (2016: 0.1%) of the Company's issued and paid up capital. At 31 March 2017 the total receivable owing from employees was $715,000 (2016: $1,485,000).

North American employees working more than 20 hours per week, in accordance with section 423 of the US Internal Revenue Code, as amended are eligible to participate in an Employee Stock Purchase Plan. Shares under this Plan are issued at a discount of 15%, are allocated to employees at the time of issue and vest immediately. Share issued under this plan in 2017 totalled nil (2016: 7,190).

Movements in the number of share options and performance share rights outstanding and their exercise prices are as follows:

	2016		2017	
	Performance Share Rights	Options	Performance Share Rights	Options
Number outstanding				
As at beginning of the year	1,697,450	10,977,219	1,612,560	7,508,036
Granted during the year	478,350	1,306,560	401,605	1,236,607
Exercised during the year	(535,590)	(4,639,303)	(566,950)	(2,308,366)
Lapsed during the year	(27,650)	(136,440)	(37,106)	(110,029)
As at end of the year	**1,612,560**	**7,508,036**	**1,410,109**	**6,326,248**
Exercisable at year end	–	2,541,336	2,530	2,404,570
Number of employees holding employee share options and PSRs	464	474	521	521
Weighted average exercisable price	–	$3.94	–	$5.56
Weighted average contractual life (months)	40	30	40	30
Fair value of share options or rights granted during the year ($000's)	2,191	2,090	2,510	2,510
Fair value of share options or rights granted during the year ($ per share)	$4.58	$1.60	$6.25	$2.03

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. EMPLOYEE BENEFITS CONTINUED

Key inputs and assumptions

The fair value of the Options and PSRs granted is independently assessed using Monte Carlo Simulation, taking into account the terms and conditions upon which the options and PSRs are granted. The key inputs are below:

	2016	2017
Performance Share Rights		
Share price at grant date	$7.43	$9.85
NZD/USD exchange rate of grant date	0.6590	0.7340
5 yr NZD risk free rate	2.69%	1.79%
5 yr USD risk free rate	1.52%	1.53%
Expected/historical share price volatility	27.50%	27.00%
Expected/historical NZD/USD volatility	12.50%	13.00%
Expected/historical DJSMDQT index volatility	17.50%	15.00%
Employee Option Plans		
Share price at grant date	$7.43	$9.85
Exercise price at grant date	$7.23	$9.82
Expected/historical share price volatility	27.50%	27.00%
Dividends yield	2.36%	2.18%
Option life (years)	5	5
Risk free interest rate	2.69%	1.79%
Cost of equity	8.00%	8.10%

The expected price volatility is derived by analysing the historical volatility over the most recent historical period corresponding to the term of the option or PSR.

b) Key management and director compensation

	2016 NZ$000	2017 NZ$000
Short term benefits	5,945	5,532
Directors fees	832	900
Share-based benefits	887	1,045
Employer contributions to defined contribution superannuation plans	111	169
	7,775	**7,646**

Key management personnel includes the Chief Executive Officer and direct reports. The amounts of key management and director compensation outstanding as at balance date are $1,562,000 (2016: $1,740,000).

The table excludes any dividends received on the Company's shares held by the Directors or key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

19. CONTINGENT LIABILITIES

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Contingent liabilities are subject to uncertainty or cannot be reliably measured and are not provided for. Disclosures as to the nature of any contingent liabilities are set out below. Judgements and estimates are applied to determine the probability that an outflow of resources will be required to settle an obligation. These are made based on a review of the facts and circumstances surrounding the event and advice from both internal and external parties.

Periodically the Group is party to litigation including product liability and patent claims.

In August 2016, Fisher & Paykel Healthcare filed patent infringement proceedings in the US District Court for the Southern District of California seeking judgment that ResMed's AirSense 10 and AirCurve 10 range of flow generator products, ClimateLineAir heated air tubing, and water chambers for use with such flow generator products, as well as Swift LT and Swift FX masks infringe patents held by Fisher & Paykel Healthcare. ResMed responded that the patents asserted are not infringed and/or are invalid.

ResMed also filed a counterclaim in the US District Court for the Southern District of California seeking judgment that Fisher & Paykel Healthcare's Simplus and Eson range of masks used in the treatment of OSA infringe patents held by ResMed. Fisher & Paykel Healthcare responded that it does not infringe and/or the patents of ResMed are invalid.

Also in August 2016, ResMed requested that the US International Trade Commission (ITC) conduct an investigation into patent infringement allegations and are seeking an exclusion order which, if granted, would prevent the import of Fisher & Paykel Healthcare's Simplus and Eson range of masks into the US. In May 2017, ResMed withdrew its complaint to the ITC but has indicated that it intends to file an additional ITC complaint.

Both parties have filed for inter partes review with the US Patent Trial and Appeal Board of the patents asserted by the other in the US.

ResMed has initiated proceedings in the High Court of New Zealand in relation to Fisher & Paykel Healthcare's ICON CPAP device and Simplus and Eson range of masks. Fisher & Paykel Healthcare has filed a counterclaim in the High Court of New Zealand for non-infringement and revocation.

In August 2016, ResMed announced that it had obtained preliminary injunctions in relation to two patents in Germany to prevent Fisher & Paykel Healthcare from selling its Simplus and Eson range of masks. Fisher & Paykel Healthcare successfully had both preliminary injunctions overturned. ResMed continues to seek to enforce these two patents in infringement proceedings against Fisher & Paykel Healthcare in Germany along with a third patent in relation to Fisher & Paykel Healthcare's Simplus and Eson range of masks.

In October 2016, Fisher & Paykel Healthcare sought a declaration of non-infringement and invalidity in the High Court of Justice Chancery Division Patents Court in the United Kingdom in respect of patents asserted against Fisher & Paykel Healthcare in Germany. ResMed has counterclaimed for infringement.

In November 2016 and January 2017, Fisher & Paykel Healthcare filed patent infringement proceedings against ResMed in Germany in relation to ResMed's AirSense 10 and AirCurve 10 range of flow generator products and Lumis series of noninvasive ventilators.

Both parties have filed opposition or nullity actions seeking to have patents asserted by the other party in Germany revoked.

Both parties are seeking injunctions and damages in relation to the proceedings described above with the exception of the ITC proceedings in which damages are not available. As at the date of the issue of these financial statements, an estimate of the financial effect cannot be made.

Except as noted above, the Directors are unaware of the existence of any claim or other contingencies that would have a material impact on the operations of the Group.

20. COMMITMENTS

	2016 NZ$000	2017 NZ$000
Capital expenditure commitments contracted for but not recognised as at the reporting date		
Within one year	5,558	34,809
Between one and two years	204	2,119
	5,762	**36,928**
Gross commitments under non-cancellable operating leases		
Within one year	7,633	8,097
Between one and two years	6,697	7,112
Between two and five years	11,580	10,667
Over five years	1,555	874
	27,465	**26,750**

Leases

AP

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease.

Operating lease commitments relate mainly to building leases. Certain building leases give the Group the right to renew the lease.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

21. SEGMENT INFORMATION

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). For the purposes of NZ IFRS 8 the CODM is a group comprising the Board of Directors (which includes the Chief Executive Officer), Vice-President - Products and Technology, Senior Vice-President - Sales and Marketing and Chief Financial Officer. This has been determined on the basis that it is this group which determines the allocation of the resources to segments and assesses their performance.

The operating segments of the Group have been determined based on the components of the Group that the CODM monitors in making decisions about operating matters. These components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the Group.

The Group has four operating segments reportable under NZ IFRS 8, as described below, which are the Group's strategic business units or groupings of business units. All other operating segments have been included in 'New Zealand segments'.

The strategic business units all offer the same products, being medical device products and systems for use in respiratory and acute care and the treatment of obstructive sleep apnea. Products are sold in over 120 countries worldwide through the Group's distribution subsidiaries, third party distributors and original equipment manufacturers (OEMs), with these sales being managed geographically from New Zealand and other locations worldwide. It is the management of these worldwide sales relationships that forms the basis for the Group's reportable segments. The following summary describes the operations in each of the Group's reportable segments:

1) **New Zealand**. Includes all activities controlled by entities or employees based in New Zealand, principally research and development, manufacturing, marketing, sales and distribution and administration. The research and development activity relates to New Zealand. The manufacturing activity principally relates to New Zealand, however the Mexico manufacturing activity is also included in this segment as the Mexico facility is managed by New Zealand-based employees. The sales and distribution activity principally relates to New Zealand, Latin America, Africa, the Middle East and other countries in Asia not included in 4) below. Also included are sales made to countries within Europe and Asia-Pacific where the management of the sale is from New Zealand.

2) **North America**. Includes all activities controlled by entities or employees based in the United States of America and Canada, principally sales, distribution and administration activities.

3) **Europe**. Includes all activities controlled by entities or employees based in the United Kingdom, France, Germany, Sweden, Turkey and Russia, principally sales, distribution and administration activities. These sales and distribution hubs also distribute product into neighbouring European countries.

4) **Asia-Pacific**. Includes all activities controlled by entities or employees based in Australia, Japan, India, China, South Korea, Taiwan and Hong Kong, principally sales, distribution and administration activities.

All minor or other activities have been included in the New Zealand segment as they are controlled by New Zealand entities or employees.

There are varying levels of integration between these geographical segments. This integration includes transfers of finished product, principally from the New Zealand segment to other segments, and shared costs.

Information regarding the operations of each reportable segment is included in the following table. Performance is measured based on segment operating profit or earnings before interest and tax (EBIT). Segment profit is used to measure performance as the CODM believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm's length basis.

Product Segments

The Group's products and systems are for use in respiratory care, acute care and the treatment of obstructive sleep apnea and are sold in over 120 countries worldwide. Revenues are managed on a regional basis, but a split by product group is set out in Note 4. Assets are not split by product group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

21. SEGMENT INFORMATION CONTINUED

Operating Segments

	New Zealand NZ$000	North America NZ$000	Europe NZ$000	Asia-Pacific NZ$000	Eliminations NZ$000	Total NZ$000
2016						
Sales revenue – external	61,262	394,327	237,830	125,073	–	818,492
Sales revenue – internal	584,472	–	–	–	(584,472)	–
Foreign exchange gain (loss) on hedged sales	(3,004)	–	–	–	–	(3,004)
Total operating revenue	**642,730**	**394,327**	**237,830**	**125,073**	**(584,472)**	**815,488**
Other income	5,000	–	–	–	–	5,000
Depreciation and amortisation	33,010	661	759	773	–	35,203
Segment operating profit before financing costs	**202,403**	**11,077**	**11,300**	**5,399**	**(19,098)**	**211,081**
Financing income	2,565	1	3	9	(2,476)	102
Financing expense	(5,547)	(2,359)	(626)	(328)	2,476	(6,384)
Exchange gain (loss) on foreign currency borrowings	(3,827)	–	(142)	–	–	(3,969)
Segment net profit before tax	**195,594**	**8,719**	**10,535**	**5,080**	**(19,098)**	**200,830**
Segment assets	**737,570**	**130,239**	**101,306**	**54,226**	**(256,538)**	**766,803**
Segment capital expenditure	**63,572**	**1,291**	**413**	**484**	**–**	**65,760**
2017						
Sales revenue – external	59,199	427,485	245,779	137,043	–	869,506
Sales revenue – internal	648,008	–	–	–	(648,008)	–
Foreign exchange gain (loss) on hedged sales	24,904	–	–	–	–	24,904
Total operating revenue	**732,111**	**427,485**	**245,779**	**137,043**	**(648,008)**	**894,410**
Other income	5,000	–	–	–	–	5,000
Depreciation and amortisation	35,698	3,195	893	798	(1,522)	39,062
Segment operating profit before financing costs	**235,901**	**11,670**	**7,622**	**6,761**	**(21,836)**	**240,118**
Financing income	2,841	1	–	5	(2,432)	415
Financing expense	(2,502)	(2,578)	(602)	(271)	2,432	(3,521)
Exchange (loss) on foreign currency borrowings	1,722	–	(290)	–	–	1,432
Segment net profit before tax	**237,962**	**9,093**	**6,730**	**6,495**	**(21,836)**	**238,444**
Segment assets	**840,979**	**148,314**	**104,774**	**63,324**	**(279,200)**	**878,191**
Segment capital expenditure	**58,677**	**1,763**	**1,311**	**1,224**	**–**	**62,975**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

22. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Board of Directors has approved policies and guidelines for the Group that identify and evaluate risks and authorise various financial instruments to manage financial risks. These policies and guidelines are reviewed regularly.

a. Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, European Union euro, British pound, Australian dollar, Japanese yen, Canadian dollar and Mexican peso.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The purpose of the Group's foreign currency risk management activities is to protect the Group from exchange rate volatility with respect to New Zealand dollar net cash movements resulting from the sale of products in foreign currencies to foreign customers, and the purchase of raw materials in foreign currencies from foreign and domestic suppliers. The Group enters into foreign currency option contracts and forward foreign currency contracts within policy parameters to manage the risk associated with anticipated sales or costs. The terms of the foreign currency option contracts and the forward foreign currency contracts generally do not exceed five years. However, with Board approval, the foreign currency option contracts and the forward foreign currency contracts may have terms of up to ten years.

Foreign exchange contracts and options in relation to sales are designated at the Group level as hedges of foreign exchange risk on specific forecast foreign currency denominated sales.

Major capital expenditure in foreign currency may be hedged with forward exchange contracts and options and may be designated as hedges.

Balance sheet foreign exchange risk arising from net assets held by the Group may be hedged either by debt in the relevant currency, foreign currency swaps or by foreign currency option contracts and forward foreign currency contracts.

(ii) Price risk

The Group has no material exposure to price risk.

(iii) Interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating-to-fixed interest rate swaps and interest rate options. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate options give the right, but not the obligation, to enter into an interest rate swap at a fixed rate at a future date. Under the Group Treasury policy, the mix between economically fixed and floating debt is reviewed on a regular basis. Interest rate swaps and options are accounted for as cash flow hedges.

The carrying amounts of significant financial assets and liabilities are denominated in the following foreign currencies:

	NZD NZ$000	USD NZ$000	EUR NZ$000	JPY NZ$000	AUD NZ$000	CAD NZ$000	GBP NZ$000	MXN NZ$000	Other NZ$000	Total NZ$000
2016										
Cash	3,414	9,124	1,549	107	997	515	32	742	2,261	18,741
Trade receivables	1,400	54,208	29,529	13,262	4,796	4,604	4,343	–	5,791	117,933
Trade and other payables	(27,936)	(16,557)	(9,987)	(1,991)	(1,463)	(903)	(3,099)	(3,389)	(3,384)	(68,709)
Bank overdraft	–	(1,629)	(4,612)	(6,993)	(110)	(1,175)	(1,191)	–	(576)	(16,286)
Borrowings	–	(28,948)	(12,356)	–	(3,657)	(1,892)	–	–	–	(46,853)
	(23,122)	**16,198**	**4,123**	**4,385**	**563**	**1,149**	**85**	**(2,647)**	**4,092**	**4,826**
2017										
Cash	48,237	4,975	1,912	96	436	563	–	974	4,058	61,251
Trade receivables	1,489	55,038	26,992	11,603	5,523	5,214	3,603	–	7,058	116,520
Trade and other payables	(27,929)	(15,391)	(6,258)	(1,851)	(2,012)	(694)	(2,408)	(3,903)	(3,765)	(64,211)
Bank overdraft	–	(2,123)	(4,185)	(6,291)	(736)	–	(2,079)	–	(262)	(15,676)
Borrowings	–	(28,547)	(11,403)	–	(3,593)	(1,822)	–	–	–	(45,365)
	21,797	**13,952**	**7,058**	**3,557**	**(382)**	**3,261**	**(884)**	**(2,929)**	**7,089**	**52,519**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

22. FINANCIAL RISK MANAGEMENT CONTINUED

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

A sensitivity of +/-10% for foreign exchange risk has been selected (2016: +/-10%). The Group's primary foreign currency exposure is the New Zealand dollar versus the US dollar, with other currencies as discussed above forming the balance of the exposure. The Group believes that an overall sensitivity of +/-10% is reasonably possible given the exchange rate volatility observed on a historical basis for the preceding 5 year period with a higher weighting given to exchange rate volatility over the preceding year and the range of market expectations for potential future movements. A sensitivity of +/-1% has been selected for interest rate risk (2016: +/-1%). This sensitivity is based on reasonably possible changes over a financial year using the observed range of historical data for the preceding 5 year period.

All variables other than the applicable interest rates and exchange rates are held constant.

	2016		2017	
	NZ$000	NZ$000	NZ$000	NZ$000
	-1%	+ 1%	-1%	+ 1%
Interest rate change				
Impact on Net Profit after Tax	(1,299)	1,247	(238)	238
Impact on hedging reserves (within equity)	(1,259)	1,214	(1,803)	1,821
	(2,558)	**2,461**	**(2,041)**	**2,059**
	-10%	+ 10%	-10%	+ 10%
Foreign exchange rate change				
Impact on Net Profit after Tax	(663)	(3,657)	3,014	(2,737)
Impact on hedging reserves (within equity)	(41,091)	38,013	(49,095)	42,237
	(41,754)	**34,356**	**(46,081)**	**39,500**

Fair value estimation

NZ IFRS 13 for financial assets and liabilities measured at fair value requires disclosure of the fair value measurements by level from the following fair value hierarchy:

- Level 1 – Quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – Inputs, other than quoted price included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – Inputs for assets and liabilities that are not based on observable market data (that is, unobservable inputs).

All the Group's financial instruments held at fair value have been measured at the fair value measurement hierarchy of level 2 (2016: level 2), as all significant inputs required to ascertain the fair value are observable.

The fair value of derivative instruments designated in a hedging relationship is determined using the following valuation techniques:

- Foreign currency forward exchange contracts have been fair valued using quoted forward exchange rates and discounted using yield curves from quoted interest rates that match the maturity dates of the contracts.
- Foreign currency option contracts have been fair valued using observable option volatilities, and quoted forward exchange and interest rates that match the maturity dates of the contracts.
- Interest rate swaps are fair valued by discounting the future interest and principal cash flows using current market interest rates that match the maturity dates of the contracts

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

Refer to Note 9 for further information about land that is measured at fair value including a summary of the valuation techniques used.

All financial assets other than derivatives are classified as loans and receivables. All financial liabilities other than derivatives are classified as measured at amortised cost. Financial liabilities measured at amortised cost are fair valued using the contractual cash flows. The carrying value of financial assets and liabilities other than derivatives approximates their fair value. In considering the fair value of interest bearing liabilities the estimated future interest rates approximate the discount rates used in a fair value assessment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

22. FINANCIAL RISK MANAGEMENT CONTINUED

b. Liquidity risk

Management monitors rolling forecasts of the Group's liquidity position on the basis of expected cash flow. The tables below set out the contractual, undiscounted cash flows for non-derivative financial liabilities and derivative financial instruments.

	< 1 year NZ$000	1–2 years NZ$000	2–3 years NZ$000	5+ years NZ$000	Contractual cash flows NZ$000	Consolidated Balance Sheet NZ$000
2016						
Bank overdrafts	16,286	–	–	–	16,286	16,286
Trade and other payables	67,255	–	–	–	67,255	67,255
Borrowings	1,270	6,741	43,829	–	51,840	46,853
Total non-derivative financial liabilities	**84,811**	**6,741**	**43,829**	**–**	**135,381**	**130,394**
Foreign currency forward exchange contracts						
— Inflow	253,589	112,542	119,235	–	485,366	
— Outflow	(246,677)	(109,845)	(116,125)	–	(472,647)	
	6,912	2,697	3,110	–	12,719	12,207
Foreign currency option contracts						
— Inflow	–	–	–	–	–	
— Outflow	–	–	–	–	–	
	–	–	–	–	–	10,428
Interest rate derivative instruments net inflows/(outflows)	(2,196)	(2,085)	(2,272)	–	(6,553)	(6,062)
Total derivative financial instruments	**4,716**	**612**	**838**	**–**	**6,166**	**16,573**
2017						
Bank overdrafts	15,676	–	–	–	15,676	15,676
Trade and other payables	64,211	–	–	–	64,211	64,211
Borrowings	6,610	12,438	29,083	–	48,131	45,365
Total non-derivative financial liabilities	**86,497**	**12,438**	**29,083**	**–**	**128,018**	**125,252**
Foreign currency forward exchange contracts						
— Inflow	331,152	209,742	101,836	–	642,730	
— Outflow	(319,477)	(205,060)	(96,514)	–	(621,051)	
	11,675	4,682	5,322	–	21,679	20,869
Foreign currency option contracts						
— Inflow	–	–	–	–	–	
— Outflow	–	–	–	–	–	
	–	–	–	–	–	15,929
Interest rate derivative instruments net inflows/(outflows)	(524)	(241)	(130)	145	(750)	(174)
Total derivative financial instruments	**11,151**	**4,441**	**5,192**	**145**	**20,929**	**36,624**

*Interest rate derivative instrument cash flows are estimated using forward interest rates at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

22. FINANCIAL RISK MANAGEMENT CONTINUED

c. Credit risk

The Group incurs Credit risk in respect of trade receivables, financial instruments and cash and cash equivalents in the normal course of business. The maximum exposure to credit risk is represented by the carrying value of these financial assets. Credit risk is managed on a Group basis with no significant concentration of credit risk.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. There are no significant trade receivable balances relating to customers who have previously defaulted on amounts due to the Group.

Derivative counterparties, cash transactions and cash at banks are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution according to the credit rating of the financial institution concerned. Over 95% of cash (2016: 87%) is held with counterparties with credit rating of Standard and Poors' A- and above.

The Group's exposure to credit risk from derivative financial instruments is limited because it does not expect non-performance of the obligation contained therein due to the credit rating of the financial institutions concerned. The Group does not require collateral or other security to support derivative financial instruments.

d. Capital risk management

The main objective of capital risk management is to ensure the Group operates as a going concern, meets debts as they fall due, maintains the best possible capital structure, and reduces the cost of capital. Group capital comprises all components of equity. To maintain or alter the capital structure the Group has the ability to review the size of the dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated monthly and reported to the banks semi-annually. The principal covenants relating to capital management are the interest cover ratio, the net tangible assets minimum requirement and total tangible assets ratio. The consequences of a breach of these covenants would depend on the nature of the breach, but could range from an instigation of an event of review, to a demand for repayment. There have been no breaches of these covenants or events of review for the current or prior period.

23. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 2 May 2017 the acquisition of approximately 15 hectares of land in Tijuana Mexico close to our existing premises was completed at USD equivalent to NZ$19.6 million. This acquisition has been funded primarily through existing borrowing facilities.

On 19 May 2017 the directors approved the payment of a fully imputed 2017 final dividend of $63.9 million (11.25 cents per share) to be paid on 7 July 2017. A supplementary dividend of 1.9853 cents per share was also approved for eligible non-resident shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

24. OTHER ACCOUNTING POLICIES

a. Changes to accounting policies

Other than as set out below in regard to NZ IFRS 9 adoption, there have been no other changes in accounting policies.

b. Standards, Interpretations and Amendments to Published Standards

Early adoption of NZ IFRS 9: Financial Instruments

NZ IFRS 9 – 'Financial Instruments' was adopted with effect from 1 April 2016. The only significant change on adoption of NZ IFRS 9 is that changes in option time value for options that expire in future periods are recognised in the Cost of Hedging Reserve rather than the Income Statement. The adoption of NZ IFRS 9 has reduced the Income Statement volatility caused by changes in time value of options that expire in future periods, and the standard aligns more closely with the Group's risk management policies and strategy.

To give effect to this change, at 1 April 2016 an amount of $3,831,000 ($2,759,000 after tax) has been transferred from Retained Earnings to the Cost of Hedging Reserve. This amount represents the time value portion of option valuations at 31 March 2016 that had previously been credited to the Income Statement. The balance of the Cost of Hedging portion of the Hedge Reserve at 31 March 2017 is $1,584,000. The Income Statement for the year ended 31 March 2016 has not been restated as the impact of doing so is not considered to be significant. If this had been restated the profit after tax for the 12 months ended 31 March 2016 would be decreased by $2,486,000 to $140,939,000.

There are no other new standards or amendments to existing standards effective for the financial year ended 31 March 2017 which have or will have a material impact on the Group.

The following accounting standards and amendments to existing standards are not yet effective and have not been early adopted by the Group:

NZ IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction Contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 for the first period beginning after its effective date and is currently assessing its full impact.

NZ IFRS 16, 'Leases', has not been early adopted. The current accounting model for leases required a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. The standard becomes effective for periods beginning after 1 January 2019. Lease commitments as set out in Note 20 predominantly relates to leased properties outside New Zealand that are expected to be brought onto the balance sheet. The adoption is not expected to have a significant impact on the Income Statement.

AP

c. Impairment of non-financial assets

Assets that have an indefinite useful life or are under development are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

d. Goods and Services Tax (GST)

The Income Statements have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheets are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

e. Research & development

Research expenditure is expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets only when all the following criteria are met: it is technically feasible to complete the product so that it will be available for use or sale; management intends to complete the product and use or sell it; there is an ability to use or sell the product; it can be demonstrated that the product will generate future economic benefits; adequate technical, financial and other resources to complete the development and to use or sell the product are available; and the expenditure attributable to the product during its development can be reliably measured and is material. Directly attributable costs capitalised as part of the product would include employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs recognised as an asset are amortised over their estimated useful lives.

f. Financial guarantee contracts

A financial guarantee contract is a contract that requires a company within the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value. Financial guarantees are subsequently measured at the greater of the initial recognition amount less amounts recognised as income or the estimated amount expected to have to be paid to a holder for a loss incurred.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

The consolidated financial statements comprise:

- the balance sheet as at 31 March 2017;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements of Fisher & Paykel Healthcare Corporation Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of advisory, including accounting standards advice, risk management advice, and treasury risk management advice, as well as tax consulting, tax compliance and other assurance services in relation to constant currency disclosures. The provision of these other services has not impaired our independence as auditor of the Group.

OUR AUDIT APPROACH

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall group materiality: $11.7 million, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $550,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Our key audit matters are:

- Legal proceedings with ResMed
- Revenue recognition

INDEPENDENT AUDITOR'S REPORT

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our Group audit scope focussed on the major operating locations which were selected as they contribute more than 5% of either the Group's revenue or profit before tax. In aggregate, the locations selected contribute 85% of the Group's revenue and 95% of the Group's profit before tax.

Audits of each location are performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned. The remaining operations were not considered significant to the Group and were subject to other audit procedures such as analytical procedures.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Legal proceedings with ResMed	
The Group is involved in legal proceedings with ResMed as described in Note 19. No amount has been recorded in the financial statements for any potential asset or liability arising from the litigation process. There are a number of ongoing proceedings in multiple jurisdictions which causes a heightened risk that the associated disclosure may not be adequate. The financial reporting impact and likely outcome of any litigation requires significant judgement due to the uncertainty of the litigation process.	To understand the status of the litigation with ResMed across all jurisdictions we performed the following audit procedures: • We held discussions with senior management and in-house legal counsel. • We read legal advice received by the Group in relation to ongoing litigation. • We examined legal expenses incurred during the year and communicated directly with external legal advisors to ensure that our understanding of the ongoing litigation was complete and that our understanding of the fact pattern of each of the proceedings was correct. We reviewed the accuracy and adequacy of the disclosure in note 19 based on the understanding obtained from the procedures described above. Based on the work performed, management's judgement in relation to the likely outcome of ongoing litigation was consistent with the results of the audit procedures we performed.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group's revenue primarily consists of the sale of goods which totalled $894.4 million in the year to 31 March 2017 as outlined in Note 4, and is the most significant item in the Group's financial statements. There is complexity involved in the timing of recognition of revenue as the Group's products are sold to customers in multiple territories, with a number of variations in the terms of the sales contracts. In addition, there is potential for management override of controls through posting journal entries to revenue. Our audit testing included procedures to respond to the risks outlined above.	Our audit procedures included evaluating the processes and controls in place over the recording of sales revenue. We utilised data assurance techniques to identify manual journals to revenue during the year and obtained evidence that any significant journals were appropriate with reference to the applicable accounting standards. We also utilised data assurance techniques to identify revenue transactions throughout the year that were not completely settled via the receipt of cash or were not a receivable at balance date. For those transactions identified we obtained evidence that the transactions were valid and recognised in the correct financial year. For a sample of transactions within accounts receivable at balance date we obtained either a confirmation of the amount from the customer, or evidence that the amount was received by the Group subsequent to year end. We defined, for each significant territory, the time period, both before and after 31 March 2017, where there was a heightened risk of error in relation to the timing of recognition of sales transactions. This involved determining the potential time difference between when revenue is recognised in the accounting system, and when revenue should be recognised according to the range of applicable sales terms in the respective contracts. For a sample of transactions recognised within the defined time period for each significant territory we confirmed that the date on which revenue was recognised was appropriate by examining the associated invoice, the terms of the sales contract, and the relevant delivery documentation. We believe that the procedures performed responded to the heightened risk and no exceptions were identified.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

WHO WE REPORT TO

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Skilton.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountant   Auckland

19 May 2017

Governance

CORPORATE GOVERNANCE AND STATUTORY INFORMATION

The Board and management of Fisher & Paykel Healthcare are committed to ensuring that the company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews and assesses the company's governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The company is listed on both the New Zealand and Australian stock exchanges. Corporate governance principles and guidelines have been introduced in both countries. These include the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition), the NZX Main Board Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code, and the Financial Markets Authority handbook Corporate Governance in New Zealand Principles and Guidelines (collectively, the "Principles").

As at 19 May 2017, the Board considers that the company's corporate governance practices and procedures substantially reflect the Principles.

As encouraged by the ASX Corporate Governance Council, the company has published certain corporate governance disclosures on its website. These disclosures are set out in the company's Annual Corporate Governance Statement as approved by the company's Board on 19 May 2017 (the "2017 Corporate Governance Statement"), which is incorporated into this Annual Report by cross-reference and can be viewed at www.fphcare.co.nz/corporategovernance (the "Company's Website"). The company has also adopted the requirements of the Financial Markets Authority handbook Corporate Governance in New Zealand Principles and Guidelines except to the extent certain of those requirements mandate information to be included in this Annual Report (in which case that information is included in the 2017 Corporate Governance Statement).

The full content of the company's corporate governance policies, practices and procedures can be found on the Company's Website.

THE BOARD

Board Composition

There are eight directors on the Board. Seven of the eight directors are non-executive directors. Lewis Gradon, the Managing Director and Chief Executive Officer, is the only executive director on the Board. The Chairman of the Board is Tony Carter.

On 1 April 2016 Lewis Gradon replaced Michael Daniell as Chief Executive Officer and was appointed to the Board as the Managing Director.

The biography of each Board member, including each director's skills, experience, expertise and the term of office held by each director at the date of this Annual Report, is set out in the "Our Board" section of this Annual Report.

Independence of Directors

The company considers that, as at 31 March 2017, six of the current directors were independent directors, namely Tony Carter, Scott St John, Lindsay Gillanders, Geraldine McBride, Arthur Morris and Donal O'Dwyer. Please refer to the 2017 Corporate Governance Statement for more information about the company's assessment of the directors' independence.

Committees

Specific responsibilities are delegated to the Audit & Risk Committee, the Remuneration and Human Resources Committee, the Nomination Committee and the Quality, Safety and Regulatory Committee. These Board committees support the Board by working with management on relevant issues at a suitably detailed level and then reporting back to the Board. Please refer to the 2017 Corporate Governance Statement for a summary of each committee's responsibilities and functions. Each committee has a charter detailing its objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's Website.

Committee membership

- Audit & Risk Committee – members of this committee are Scott St John (Chairman), Tony Carter and Lindsay Gillanders.
- Remuneration and Human Resources Committee – members of this committee are Tony Carter (Chairman), Donal O'Dwyer and Scott St John.
- Nomination Committee – members of this committee are Tony Carter (Chairman), Donal O'Dwyer and Scott St John.
- Quality, Safety and Regulatory Committee – members of this committee are Arthur Morris (Chairman), Tony Carter and Donal O'Dwyer.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

	Board		Audit & Risk Committee		Remuneration & Human Resources Committee		Nomination Committee		Quality, Safety & Regulatory Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Tony Carter	8	8	6	6	4	4	3	3	3	3
Michael Daniell	8	8								
Lewis Gradon	8	8								
Scott St John	8	8	6	6	4	4	3	3		
Lindsay Gillanders	8	8	6	6						
Geraldine McBride	8	8								
Arthur Morris	8	8							3	3
Donal O'Dwyer	8	8			4	4	3	3	3	3

Board Processes

The Board held 8 meetings during the year ended 31 March 2017. The table above shows attendance at all meetings of the Board and committees referred to above. At the company's Annual Meeting of Shareholders held on 23 August 2016, all of the then-serving directors attended the meeting.

Directors' Remuneration

The maximum total monetary sum payable by the company by way of directors' fees is $950,000 per annum as approved by shareholders at the 2014 annual shareholders' meeting. Non-executive directors received the following directors' fees from the company in the year ended 31 March 2017:

Director	Board Fees	Audit & Risk Committee	Remuneration and Human resources Committee	Nomination Committee**	Quality, Safety & Regulatory Committee	Shares and other payments	Total remuneration
Tony Carter (Chair)	$212,000[1] (Chair)	$0[1]	$0[1] (chair)	$0[1] (Chair)	$0[1]		$212,000
Michael Daniell	$93,280						$93,280
Scott St John	$93,280	$26,500 (Chair)	$10,600	$0[2]			$130,380
Lindsay Gillanders	$93,280	$15,900					$109,180
Geraldine McBride	$93,280						$93,280
Arthur Morris	$93,280				$21,200 (Chair)		$114,480
Donal O'Dwyer	$93,280		$13,250[3]	$0[2]	$15,900	$21,200 (travel allowance)	$143,630[4]
Total	**$771,680**	**$42,400**	**$23,850**	**$0[2]**	**$37,100**	**$21,200**	**$896,230**

1 No additional fees are paid to the Board Chairman for committee roles.

2 Fees for Nomination Committee role are included in Remuneration and Human Resources Committee fee.

3 The fee for Donal O'Dywer's Remuneration and Human Resources Committee fee includes $2,650 of back payment from the previous financial year.

4 The remuneration for Donal O'Dwyer is set in NZD but paid in AUD at the prevailing exchange rate at the date of payment.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

Non-executive directors do not take a portion of their remuneration under an equity security plan but directors may hold shares in the company, details of which are set out in the "Directors' Shareholdings" section of this Annual Report. It is the company's policy to encourage directors to own shares in the company and to acquire any shares on-market.

No non-executive director is entitled to receive a retirement payment unless eligibility for such payment has been agreed by shareholders and publicly disclosed during his or her term of Board service or such retirement payment is within the limits prescribed by the NZX Main Board Listing Rules. More information about the NZX Main Board Listing Rules, and the Board resolution approved at the 2004 Annual Meeting of Shareholders, in each case relating to directors' retirement payments, is set out in the 2017 Corporate Governance Statement. A non-executive director's retirement allowance of NZ$105,196 has been provided for by the company as at 31 March 2017 in relation to Lindsay Gillanders. Lewis Gradon, acting in his capacity as an employee of the company, received fixed remuneration (inclusive of the value of benefits) in the year ended 31 March 2017 of $948,265. In addition to this fixed remuneration, Lewis Gradon also received performance-based at-risk components, both paid out and accrued, of $553,074. On 6 September 2016, Lewis Gradon was issued 72,000 options with a fair value of NZ$159,000 and 24,000 performance share rights with a fair value of NZ$161,000.

The options and performance share rights were valued using Monte Carlo simulation (the assumptions for these calculations are included in Note 18 of the Financial Statements). Lewis Gradon did not receive remuneration in his capacity as a director of the company or any subsidiary company. No employee of the company or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a director.

SENIOR MANAGEMENT REMUNERATION

Please see the "Employee Remuneration" section of this Annual Report, where the company has disclosed remuneration (inclusive of the value of other benefits) received by employees or former employees of the company or its subsidiaries in the relevant bandings of employee remuneration totalling NZ$100,000 or more received in the year ended 31 March 2017. More information about the company's senior management remuneration policy and packages is set out in the 2017 Corporate Governance Statement.

RISK MANAGEMENT

Please refer to the 2017 Corporate Governance Statement for an overview of material risks identified by the Board which could affect the company's results and performance, and the mechanisms and internal controls intended to manage those risks.

POLICIES

The company has in place a number of policies including those covering performance evaluation of the Board, Board committees, individual directors and senior executives, external financial auditors, remuneration, market disclosure, communication with shareholders, share trading and human resources and health and safety.

Diversity Policy

Our business' purpose is to improve care and outcomes for patients, clinicians and communities around the world. This is a purpose that's about people. And if we are to truly deliver on this, we know we need the best people and the best environment in which the best ideas can grow.

As a global company, we value the differences our people bring as we believe this creates a diversity of thinking that forms the foundations of our culture. We believe that these differences foster continuous questioning and continuous improvement which builds innovative and high performing teams.

We strive to provide an environment where all our people have the opportunity to reach their full potential. If we can achieve that, then we know we are doing the best we can for not only our people and our company, but also for our patients and our communities.

Commitment to Doing the Right Thing by our People

One of our core beliefs is that the commitment to doing the right thing is what our customers will find compelling. This extends to doing the right thing by our own people.

What does doing the right thing by our own people look like?

1. Providing equal employment opportunities

Fisher & Paykel Healthcare and its Board are committed to providing equal employment opportunities and as such, have a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experiences.

For Fisher & Paykel Healthcare, a commitment to diversity means ensuring that no individual is excluded from a position, for which he or she is skilled and qualified, by inappropriate systems, practices and attitudes. It also means eliminating barriers to ensure that everyone is considered for the employment of their choice and that our people have the chance to perform to their full potential.

We will ensure our selection processes for recruitment and employee development opportunities are free from bias and are based on merit.

2. Commitment to an inclusive workplace

At Fisher & Paykel Healthcare we have fostered a culture where people are treated fairly and with respect and we are committed to ensuring an inclusive workplace. We will:

- Promote awareness around the importance of a diverse and inclusive workforce;
- Encourage employees to offer views and suggestions towards achieving organisational goals;
- Review our systems, policies and practices to make sure an inclusive approach is taken; and
- Ensure our built environment continues to support an inclusive workplace.

3. Establishing measurable objectives and reporting on progress

As the saying goes, "what gets measured gets improved". The Board of Directors is responsible for establishing measurable objectives for achieving a diverse and inclusive workforce.

We will use both quantitative and qualitative measures to review our diversity performance and, as with all areas of our business, have a focus on continuous improvement.

The company has appointed the CEO and Vice President – Human Resources as the company's Diversity Managers.

The Remuneration and Human Resources Committee is responsible for overseeing the company's Diversity Policy. Each year the Remuneration and Human Resources Committee review and report to the Board on the company's Diversity Policy, its diversity objectives and the company's achievement against its diversity objectives, including the representation of women at all levels of the organisation.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

	2016				2017			
	Women	Men	Women %	Men %	Women	Men	Women %	Men %
Board	1	6	14%	86%	1	7	13%	87%
Senior executives	1	6	14%	86%	1	8	11%	89%
All employees	1,543	1,924	45%	55%	1,851	2,135	46%	54%

Review of progress against last year's objectives

Last year we committed to the following measurable objectives:

- complete a diversity diagnostic of our NZ operations to assist in identifying diversity and inclusion objectives for the future; and
- continue the development and implementation of the unconscious bias training module.

Diversity Diagnostic

During the year the Diversity Managers established a team of people from across the business to conduct a gender diagnostic focussed on our NZ operations. This diagnostic involved statistical analysis of information from the past three years to look for signs of potential areas of bias across the entire employee lifecycle.

The results of the analysis indicated:

- no gender bias in our salary review process;
- starting salaries do not differ by gender;
- no gender bias in our recruitment processes; and
- no difference in retention rates based on gender.

However, the analysis did indicate that NZ male salaried employees were promoted to a management role seven months faster on average and a drop in our pay equity ratio for NZ employees from 99.2% in FY16 to 98.6% in FY17, as indicated in the table below. As at the date of this report we are yet to determine the root cause of these two findings but have already commenced an internal education program and a formal root cause analysis process.

Gender pay ratio for NZ employees

	FY16	FY17
Salaried	98.9%	97.9%
Waged	99.2%	98.6%
Total	**99.2%**	**98.6%**

We measured the pay equity difference within salary bands and functions using the average compa-ratio between males and females.

Unconscious Bias training

We have not progressed the development and implementation of the unconscious bias training module because the diversity diagnostic has highlighted we need a more thorough understanding of our current state, including in particular the perceptions of diversity and inclusion throughout the organisation.

Objectives for the 2018 financial year

Based on the results of the work carried out during the 2017 financial year, our diversity and inclusion objectives for the 2018 financial year are to:

1. Conduct a detailed review of all NZ salaried employee records and rectify any instances where employees have been under-paid relative to their experience in the role.
2. Review policies to identify sources of potential bias and implement preventative measures, specifically related to:
   - gender pay equality; and
   - the promotion of men and women to management positions.
3. Commence a Gender Diagnostic of Fisher & Paykel Healthcare's operations outside of New Zealand.
4. Measure employee perceptions on diversity and inclusion at Fisher & Paykel Healthcare through the next employee engagement survey.

The company's Diversity Policy was reviewed during the year ended 31 March 2017 and updates were approved by the Board on 19 May 2017. A copy of the updated policy is available on the Company's Website.

The table above shows the respective proportions of men and women on the board, in senior executive positions and across the whole organisation as at 31 March 2016 and 31 March 2017.

"Senior executive", as it is used in the table above, refers to the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer.

Other Policies

Summary information with respect to a number of the company's policies can be found in the 2017 Corporate Governance Statement. More detailed information about all these policies can also be found on the Company's Website.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

PRINCIPAL ACTIVITIES

The company is a world-leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care, surgery and the treatment of obstructive sleep apnea. There were no significant changes to the state of affairs of the company or to the nature of the company's principal activities during the year ended 31 March 2017.

STOCK EXCHANGE LISTINGS

The company's shares were listed on the NZX Main Board on 14 November 2001. The company's shares were listed on the ASX on 21 November 2001. On 20 June 2016 Fisher & Paykel Healthcare changed its admission category to an ASX Foreign Exempt Listing. As part of this change, the company is still required to comply with the NZX Main Board Listing Rules but is not required to comply with many of the ASX listing rules. For the purposes of ASX Listing Rule 1.15.3, the company confirms that is has complied with the NZX listing rules during the year ended 31 March 2017.

There is no current on-market buy-back of the company's ordinary shares and during the year ended 31 March 2017 none of the company's ordinary shares were purchased on-market under or for the purposes of an employee incentive scheme or to satisfy the entitlements of holders of options or other rights to acquire ordinary shares granted under an employee incentive scheme. The company does not have any restricted securities or securities subject to voluntary escrow on issue.

SHARE ISSUES

During the year ended 31 March 2017:

- 1,478,690 shares were issued under the company's dividend reinvestment plan;
- No shares were issued under approved employee share purchase schemes;
- 296,540 shares were issued under employee share option plans upon the exercise of previously granted share options;
- 1,502,991 shares were issued under employee share option plans using the Cancellation Offer Facility as approved by shareholders on 12 August 2004;
- 566,950 shares were issued under the employee share rights plan upon exercise of previously granted performance share rights;
- 1,236,607 share options were issued under an employee share option plan; and
- 401,605 performance share rights were issued under a performance share rights plan.

DIRECTORS

During the twelve months to 31 March 2017:

- On 1 April 2016 Lewis Gradon replaced Michael Daniell as Chief Executive Officer and was appointed to the Board as Managing Director.
- At the company's annual shareholders' meeting on 23 August 2016:

  (a) Scott St John and Lewis Gradon stood for election and were elected; and

  (b) Michael Daniell and Donal O'Dwyer retired by rotation and, being eligible, offered themselves for re-election and were re-elected.

DISCLOSURE OF INTERESTS BY DIRECTORS

Directors' certificates to cover entries in the company's interests register in respect of remuneration, insurance, indemnities, dealing in the company's shares, and other interests have been disclosed as required by the Companies Act 1993.

DISCIPLINARY ACTION TAKEN BY THE NZX OR THE ASX

Neither the NZX nor the ASX has taken any disciplinary action against the company during the year ended 31 March 2017.

ENTRIES RECORDED IN THE INTERESTS REGISTER

Except for disclosures made elsewhere in this Annual Report, there have been no entries in the company's interests register made during the year ended 31 March 2017.

No entries were made in the interests register of any subsidiary of the company during the year ended 31 March 2017.

CREDIT RATING

The company does not currently have an external credit rating status.

DONATIONS

Please refer to Note 5 of the Financial Statements.

ANNUAL SHAREHOLDERS' MEETING

The company's 2017 annual shareholders' meeting will be held at the Newmarket room, Ellerslie Event Centre, Auckland on Thursday, 24 August 2017 at 2pm.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

EMPLOYEE REMUNERATION

The Group operates in a number of countries where remuneration market levels differ widely. The offshore remuneration amounts are converted into New Zealand dollars.

Of the employees noted in the table below 50% are employed by the Group outside New Zealand. During the year ended 31 March 2017 a number of employees or former employees of the Group, not being directors of the company, received remuneration and other benefits totalling NZ$100,000 or more in value as follows:

Remuneration	Number of employees
$	
100,000 – 110,000	137
110,001 – 120,000	111
120,001 – 130,000	98
130,001 – 140,000	78
140,001 – 150,000	47
150,001 – 160,000	46
160,001 – 170,000	58
170,001 – 180,000	36
180,001 – 190,000	25
190,001 – 200,000	18
200,001 – 210,000	13
210,001 – 220,000	16
220,001 – 230,000	16
230,001 – 240,000	4
240,001 – 250,000	12
250,001 – 260,000	8
260,001 – 270,000	4
270,001 – 280,000	3
280,001 – 290,000	7
290,001 – 300,000	3
300,001 – 310,000	2

Remuneration	Number of employees
$	
310,001 – 320,000	2
320,001 – 330,000	3
330,001 – 340,000	3
350,001 – 360,000	1
360,001 – 370,000	1
370,001 – 380,000	1
380,001 – 390,000	2
390,001 – 400,000	3
400,001 – 410,000	1
410,001 – 420,000	1
420,001 – 430,000	1
460,001 – 470,000	1
500,001 – 510,000	1
530,001 – 540,000	1
640,001 – 650,000	2
650,001 – 660,000	2
660,001 – 670,000	1
670,001 – 680,000	1
820,001 – 830,000	1
940,001 – 950,000	1
1,170,001 – 1,180,000	1

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

As disclosed in Note 18 of the Financial Statements, there were 6,326,248 options on issue to 521 employees and 1,410,109 performance share rights on issue to 527 employees as at 31 March 2017. The company only has one class of shares on issue, ordinary shares, and these shares are listed on the NZX Main Board and ASX. There are no other classes of equity security currently on issue. The company's ordinary shares each carry a right to vote on any resolution at a meeting of shareholders. Holders of ordinary shares may vote at a meeting in person, or by proxy, representative or attorney. Voting may be conducted by voice, by show of hands, or poll. There are no voting rights attaching to options or performance share rights. As at 28 April 2017 the company has not carried out any issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act.

Size of Shareholding	Number of holders	%	Number of Ordinary Shares	%
1 to 1,000	6,987	30.33	3,463,394	0.61
1,001 to 5,000	10,929	47.43	27,060,114	4.77
5,001 to 10,000	2,957	12.83	21,196,753	3.73
10,001 to 50,000	1,928	8.37	36,210,962	6.38
50,001 to 100,000	112	0.49	7,681,144	1.35
100,001 and over	126	0.55	472,128,064	83.16
Total	**23,039**	**100.00**	**567,740,431**	**100.00**

The details set out above were as at 28 April 2017

LIMITATIONS ON THE ACQUISITION OF SHARES

The company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 (Commonwealth) dealing with the acquisition of shares (i.e. substantial holdings and takeovers). Limitations on the acquisition of the securities imposed by the jurisdiction in which the company is incorporated (New Zealand) are:

(a) In general, securities in the company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

(b) The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the company or the increase of an existing holding of 20% or more of the voting rights of the company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the shares of the company.

(c) The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an overseas person acquires shares in the company that amount to 25% or more of the shares issued by the company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

(d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in the company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

CURRENT NZX WAIVERS

No waivers were sought from or granted by either of the NZX Main Board or ASX Listing Rules within the 12 month period preceding the balance date of the company. During the same period the company relied on the following three waivers previously granted by the NZX to issue options under its share option plans, performance share rights under its performance share rights plan and shares under its share purchase plans:

(1) waiver from NZX Main Board Listing Rule 7.1.10 and 7.1.16 in respect of the issue of options under the company's share options plans (granted 19 August 2011);

(2) waiver from NZX Main Board Listing Rule 7.1.10, 7.1.16 and 8.1.7 in respect of the company's performance share rights plan (granted 7 August 2012).

SUBSTANTIAL PRODUCT HOLDERS

According to company records and notices given under the Financial Markets Conduct Act 2013 Northcape Capital Pty Ltd was the only substantial product holder in ordinary shares (being the only class of quoted voting products) of the company as at 31 March 2017. On 11 April 2017 Northcape Capital Pty Ltd gave notice that it ceased to be substantial product holder on 7 April 2017, and according to company records and notices given under the Financial Markets Conduct Act 2013 there were no substantial product holders as at 28 April 2017.

The total number of ordinary shares (being the only class of quoted voting products) of the company on issue at 31 March 2017 was 567,686,436 ordinary shares and at 28 April 2017 was 567,740,431 ordinary shares.

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders in the company as at 28 April 2017 were:

Shareholder	Ordinary Shares	%
HSBC Custody Nominees (Australia) Limited	44,358,208	7.81
HSBC Nominees (New Zealand) Limited	36,395,477	6.41
JP Morgan Chase Bank	34,426,511	6.06
J P Morgan Nominees Australia Limited	30,209,494	5.32
Citibank Nominees (NZ) Limited	28,263,645	4.98
HSBC Nominees (New Zealand) Limited	25,119,512	4.42
National Nominees Limited	22,779,374	4.01
Tea Custodians Limited	18,509,770	3.26
National Nominees New Zealand Limited	17,745,327	3.13
Accident Compensation Corporation	17,656,255	3.11
New Zealand Superannuation Fund Nominees Limited	16,256,507	2.86
RBC Investor Services Australia Nominees Pty Limited	13,814,949	2.43
Custodial Services Limited	11,152,765	1.96
Citicorp Nominees Pty Limited	10,913,530	1.92
Guardian Nominees No 2 Limited	10,556,310	1.86
Cogent Nominees Limited	10,249,622	1.81
FNZ Custodians Limited	9,553,257	1.68
Premier Nominees Limited	8,514,971	1.50
BNP Paribas Noms Pty Limited	7,242,144	1.28
BNP Paribas Nominees Pty Limited	6,918,843	1.22

In the above table, the shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been re-allocated to the underlying beneficial owners.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following ordinary shares in the company as at 31 March 2017:

Name	Ownership	Ordinary Shares
Tony Carter	Beneficial	73,815
Michael Daniell[1]	Beneficial	1,001,475
Lewis Gradon[2]	Beneficial	750,866
Lindsay Gillanders	Beneficial	414,415
Arthur Morris	Beneficial	9,322
Donal O'Dwyer	Beneficial	66,357
Scott St John	Beneficial	13,053

1 Michael Daniell also had a beneficial interest in 480,000 options issued under the 2003 Share Option Plan and a beneficial interest in 80,000 performance share rights issued under the Performance Share Rights Plan.

2 Lewis Gradon also had a beneficial interest in 357,000 options issued under the 2003 Share Option Plan and a beneficial interest in 80,000 performance share rights issued under the Performance Share Rights Plan.

SHARE DEALINGS BY DIRECTORS

In accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013, the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests (as defined in the Financial Markets Conduct Act 2013) in the company between 1 April 2016 and 31 March 2017, and details of those dealings were entered in the company's interests register.

The particulars of such disclosures are:

Tony Carter

- is a director of Loughborough Investments Limited which:
  - a) was issued with 634 ordinary shares, valued at $8.254 per share, on 21 December 2016 under the company's dividend reinvestment plan;
  - b) acquired 2,000 ordinary shares valued at $8.28 on 25 November 2016; and
  - c) was issued with 591 ordinary shares, valued at $10.326 per share, on 7 July 2016 under the company's dividend reinvestment plan;
- is a trustee and beneficiary of the Antony John Carter No 2 Family Trust which was issued with:
  - a) 46 ordinary shares, valued at $8.254 per share, on 21 December 2016 under the company's dividend reinvestment plan; and
  - b) 45 ordinary shares, valued at $10.326 per share, on 7 July 2016 under the company's dividend reinvestment plan.

Michael Daniell

- cancelled 50,000 options and in return was issued 39,396 ordinary shares on 31 March 2017 at an average value of $9.7130 per share;
- disposed of 50,000 ordinary shares between 29-31 March 2017 at an average price of 9.6757 per share;
- exercised 30,000 performance share rights on 7 September 2016 and was issued with 30,000 ordinary shares for nil consideration in accordance with the Performance Share Rights Plan;
- cancelled 100,000 options and in return was issued 80,805 ordinary shares on 3 June 2016 at an average value of $10.7317 per share.
- is a trustee and beneficiary of the Daniell Family Trust which disposed of 100,000 ordinary shares on 31 May 2016 at an average price of $10.52 per share.

Lewis Gradon

- exercised 27,500 performance share rights on 16 September 2016 and was issued with 27,500 ordinary shares for nil consideration in accordance with the Performance Share Rights Plan;
- disposed of 27,500 ordinary shares on 16 September 2016 at average price of $9.798;
- was granted 72,000 options on 6 September 2016 for nil consideration, convertible into 72,000 shares in accordance with the terms of the 2003 Share Option Plan;
- was granted 24,000 performance share rights on 6 September 2016 for nil consideration, in accordance with the terms of the Performance Share Rights Plan;
- cancelled 215,000 options and in return was issued 171,661 ordinary shares on 3 June 2016 at an average value of $10.7317 per share; and
- disposed of 68,000 ordinary shares on 3 June 2016 at an average price of $10.585 per share.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

Arthur Morris

– is a trustee and beneficiary of the Niloc Trust which was issued with:

a) 86 ordinary shares, valued at $8.244 per share, on 21 December 2016 under the company's dividend reinvestment plan.

b) 82 ordinary shares, valued at $10.326 per share, on 7 July 2016 under the company's dividend reinvestment plan; and

Donal O'Dwyer

– is a trustee and beneficiary of the Dundrum Super Fund which:

a) was issued with 657 ordinary shares, valued at $7.889 AUD per share, on 21 December 2016 under the company's dividend reinvestment plan.

b) acquired 9,547 ordinary shares, valued at $7.912 AUD per share on 28 November 2016; and

c) was issued with 539 ordinary shares, valued at $10.326 per share, on 7 July 2016 under the company's dividend reinvestment plan;

Scott St John

FNZ Custodians as custodian for Scott St John:

a) was issued with 120 ordinary shares valued at $8.274 per share on 21 December 2016 under the company's dividend reinvestment plan;

b) acquired 750 ordinary shares at a value of $8.50 per share on 25 November 2016;

c) was issued with 109 ordinary shares valued at $10.326 per share on 7 July 2016 under the company's dividend reinvestment plan; and

d) acquired 2,000 ordinary shares at a value of $10.33 per share on 30 May 2016.

Lindsay Gillanders

– is a beneficiary of the L R S Trust which:

a) disposed of 100,000 ordinary shares on 30 May 2016 at an average price of $10.3487 per share.

STATUTORY DISCLOSURE

Subsidiary Company Directors

Section 211(2) of the Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by directors and former directors, and particulars of entries in the interests registers made, during the year ended 31 March 2017. Tony Carter is a director of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited, and as a legacy of his former role as Managing Director, Michael Daniell remains a director of Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey). The company continues to work to appoint Lewis Gradon as a director of this subsidiary in place of Michael Daniell.

Except as detailed out above, no subsidiary has directors who are not full-time employees of the Group. The remuneration and other benefits of such employees and former employees (received as employees) totalling NZ$100,000 or more during the year ended 31 March 2017 are included in the relevant bandings for remuneration disclosed on page 84 of this Annual Report. No employee of the Fisher & Paykel Healthcare Group appointed as a director of Fisher & Paykel Healthcare Corporation Limited or its subsidiaries receives or retains any remuneration or other benefits in his or her capacity as a director. The persons who held office as directors of subsidiary companies at 31 March 2017 were as follows:

Fisher & Paykel Healthcare Limited (NZ)
Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Properties Limited (NZ)
Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Treasury Limited (NZ)
Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Asia Limited (NZ)
Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Asia Investments Limited (NZ)
Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Americas Investments Limited (NZ)
Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)
Tony Carter, Lewis Gradon, Tony Barclay

Fisher & Paykel Healthcare Pty Limited (Australia)
Lewis Gradon, Paul Shearer, David Boyle

Fisher & Paykel do Brasil Ltda (Brazil)
Brazilian law does not require directors. Decision making authority lies with the directors of its shareholders.

Fisher & Paykel Healthcare Limited (Canada)
Lewis Gradon, Paul Shearer, Justin Callahan

Fisher & Paykel Healthcare (Guangzhou) Limited (China)
Lewis Gradon, Paul Shearer, David Boyle, Zhiping Hou

Fisher & Paykel Healthcare Colombia S.A.S.
Legal Representatives: Bryan Peterson, James Tuck

Fisher & Paykel Healthcare SAS (France)
Lewis Gradon, Paul Shearer, Patrick McSweeny, Ian Hopkinson

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

Fisher & Paykel Holdings GmbH (Germany)
Ian Hopkinson, Patrick McSweeny

Fisher & Paykel Healthcare Limited (Hong Kong)
Lewis Gradon, Paul Shearer, David Boyle, Zhiping Hou

Fisher & Paykel Healthcare India Private Limited (India)
Lewis Gradon, Paul Shearer, David Boyle, Thekkanathu Paily Bastin

Fisher & Paykel Healthcare K.K. (Japan)
Lewis Gradon, Paul Shearer, Hideo Goto

Fisher & Paykel Healthcare S.A. de C.V. (Mexico)
Lewis Gradon, Andrew Somervell, Lawrence Gibbons

Fisher & Paykel Healthcare Properties S.A. de C.V. (Mexico)
Lewis Gradon, Andrew Somervell, Tony Barclay

Limited Liability Company Fisher & Paykel Healthcare (Russia)
Lewis Gradon, Paul Shearer, Bryan Peterson, Anatoly Filippov

Fisher & Paykel Healthcare AB (Sweden)
Lewis Gradon, Paul Shearer, Patrick McSweeny, Ian Hopkinson

Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey)
Michael Daniell, Paul Shearer

Fisher & Paykel Healthcare Limited (UK)
Lewis Gradon Paul Shearer, Nicholas Connolly, Patrick McSweeny

Fisher & Paykel Holdings Inc. (USA)
Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Inc. (USA)
Lewis Gradon, Paul Shearer, Justin Callahan

Fisher & Paykel Healthcare Distribution Inc.
Lewis Gradon

As result of Michael Daniell's retirement as Managing Director on 31 March 2016, during the year ended 31 March 2017 Michael Daniell resigned as a director from those subsidiary companies in which he previously held office as a director. As noted above, Michael Daniell remains a director of the subsidiary company in Turkey.

DISCLOSURE OF INTERESTS BY DIRECTORS

In accordance with Section 140(2) of the Companies Act 1993, the directors named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in the company's interests register. General notices given by directors which remain current as at 31 March 2017 are as follows:

Tony Carter

Chairman of:
Air New Zealand Limited, Blues Management Limited

A director of:
Fletcher Building Limited, ANZ Bank New Zealand Limited, Loughborough Investments Limited, Avonhead Mall Limited, Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited

A shareholder of:
Loughborough Investments Limited, Avonhead Mall Limited

A trustee of:
Antony Carter Family Trust No 2, Foodstuffs Auckland Perpetuation Trust, Foodstuffs Auckland Protection Trust, Maurice Carter Charitable Trust, Tony and Frances Carter Family Trust

An advisor to:
Capital Solutions Limited

Michael Daniell

Chairman of:
Medical Technologies Centre of Research Excellence

A director of:
Tait Limited, the subsidiary company listed in the section 'Subsidiary Company Directors' in this Annual Report

A member of:
Council of the University of Auckland

Lewis Gradon

A director of:
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited

Other company subsidiaries as listed in the section 'Subsidiary Company Directors' in this Annual Report

Lindsay Gillanders

Chairman of:
Auckland Packaging Company Limited

A director of:
LRS Management Limited, Rangatira Limited, Bio-Strategy Holdings Limited, Black Magic Tackle Limited, Black Magic Tackle IP Limited.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

Geraldine McBride

A director of:
National Australia Bank Limited, Sky Network Television Limited, MyWave Holdings Limited

Donal O'Dwyer

Chairman of:
Atcor Medical Pty Limited

A director of:
Cochlear Limited, Mesoblast Limited, nib Holdings Limited

Scott St John

Chief Executive Officer of:
First NZ Capital (resigned effective 1 April 2017)

A director of:
Te Awanga Terraces Limited, Fonterra Cooperative Group Limited, Hutton Wilson Nominees Limited, Captain Cook Nominees Limited, NEXT Foundation, Fonterra Shareholders Fund

A beneficiary of:
St John Family Trust, Macleod Trust

A member of:
Council of the University of Auckland (Chancellor)

Arthur Morris

A director of:
Mercy Healthcare Auckland Limited, Southern Cross Hospitals Limited

A Trustee of:
Auckland School of Medicine Foundation, Southern Cross Health Trust

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

The Group has arranged, as provided for under the company's Constitution, policies of directors' and officers' liability insurance which, with a Deed of Indemnity entered into with all directors, ensure that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines which may be imposed in respect of breaches of the law.

USE OF COMPANY INFORMATION

There were no notices from directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

GROUP STRUCTURE

All subsidiary companies in the Fisher & Paykel Healthcare group (detailed below) are ultimately 100% owned by Fisher & Paykel Healthcare Corporation Limited.

Fisher & Paykel Healthcare Corporation Limited* Owns:

Fisher & Paykel Healthcare Limited (NZ)*

Fisher & Paykel Healthcare Pty Limited (Australia)

Fisher & Paykel Healthcare Treasury Limited (NZ)*

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ) Fisher & Paykel Healthcare Limited (UK)

Fisher & Paykel Holdings Inc. (USA) Fisher & Paykel do Brasil Ltda (Brazil)

Fisher & Paykel Healthcare (Guangzhou) Limited (China) Fisher & Paykel Healthcare Asia Limited (NZ)

Fisher & Paykel Healthcare Americas Investments Limited (NZ) Fisher & Paykel Healthcare Limited (Canada)

Fisher & Paykel Healthcare Limited* (NZ) Owns:

Fisher & Paykel Healthcare Properties Limited (NZ)*

Fisher & Paykel Healthcare Asia Limited (NZ) Owns:

Fisher & Paykel Healthcare Asia Investments Limited (NZ)

Fisher & Paykel Healthcare Asia Investments Limited (NZ) Owns:

Fisher & Paykel Healthcare India Private Limited (India)

Fisher & Paykel Healthcare K.K. (Japan)

Fisher & Paykel Healthcare Limited (Hong Kong)

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

Fisher & Paykel Healthcare Americas Investments Limited (NZ) Owns:

Fisher & Paykel Healthcare S.A. de C.V. (Mexico)

Fisher & Paykel Healthcare Colombia S.A.S

Fisher & Paykel Healthcare Mexico Properties S.A. de C.V. (Mexico)

Fisher & Paykel Healthcare Limited (UK) Owns:

Fisher & Paykel Healthcare SAS (France)

Fisher & Paykel Holdings GmbH (Germany)

Fisher & Paykel Healthcare AB (Sweden)

Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey)

Limited Liability Company Fisher & Paykel Healthcare (Russia)

Fisher & Paykel Holdings Inc. (USA) Owns:

Fisher & Paykel Healthcare Inc. (USA)

Fisher & Paykel Healthcare Distribution Inc. (USA)

* Companies Operating Under a Negative Pledge Deed

DIRECTORS' DETAILS

The persons holding office as directors of the company at any time during, or since the end of, the year ended 31 March 2017 are as follows:

Tony Carter	Chairman, Non-Executive, Independent
Michael Daniell	Non-Executive
Lewis Gradon	Managing Director and Chief Executive Officer
Lindsay Gillanders	Non-Executive, Independent
Geraldine McBride	Non-Executive, Independent
Arthur Morris	Non-Executive, Independent
Donal O'Dwyer	Non-Executive, Independent
Scott St John	Non-Executive, Independent

EXECUTIVES' DETAILS

Lewis Gradon	Managing Director and Chief Executive Officer
Paul Shearer	Senior Vice President – Sales & Marketing
Tony Barclay	Chief Financial Officer and Company Secretary
Winston Fong	Vice President – Surgical Technologies
Nicholas Fourie	Vice President – Information & Communication Technology
Debra Lumsden	Vice President – Human Resources
Jonathan Rhodes	General Manager – Supply Chain
Brian Schultz	Vice President – Quality & Regulatory Affairs
Andrew Somervell	Vice President – Products and Technology

GLOSSARY

Constant Currency	is a way to measure performance of a company without any distortion from changes in foreign exchange rates
COPD	Chronic Obstructive Pulmonary Disease
CPAP	Continuous Positive Airway Pressure
DRP	Dividend Reinvestment Plan
ERP	Enterprise Resource Planning
FDA	United States Food & Drug Administration
IP	Intellectual Property
OSA	Obstructive Sleep Apnea
R&D	Research and Development
RAC	Respiratory and Acute Care
SG&A	Sales, General and Administrative
QS&R	Quality, Safety & Regulatory

DIRECTORY

DIRECTORY

In New Zealand:

The details of the company's principal administrative and registered office are:

Physical address: 15 Maurice Paykel Place, East Tamaki, Auckland 1061, New Zealand

Telephone: +64 9 574 0100

Facsimile: +64 9 574 0158

Postal address: PO Box 14348, Panmure, Auckland 1741, New Zealand

Internet address: www.fphcare.com

Email: investor@fphcare.co.nz

In Australia:

The details of the company's registered office are:

Physical address: 36–40 New Street, Ringwood, Victoria 3134, Australia

Telephone: +61 3 9879 5022

Facsimile: +61 3 9879 5232

Postal address: PO Box 167, Ringwood, Victoria 3134, Australia

SHARE REGISTRAR

In New Zealand:

Link Market Services Limited

Physical address: Level 11, Deloitte Centre, 80 Queen Street, Auckland 1010, New Zealand

Postal address: PO Box 91976, Auckland 1142, New Zealand

Facsimile: +64 9 375 5990

Investor enquiries: +64 9 375 5998

Internet address: www.linkmarketservices.co.nz

Email: enquiries@linkmarketservices.co.nz

In Australia:

Link Market Services Limited

Physical address: Level 12, 680 George Street, Sydney, NSW 2000, Australia

Postal address: Locked Bag A14, Sydney South, NSW 1235, Australia

Facsimile: +61 2 9287 0303

Investor enquiries: +61 2 8280 7111

Internet address: www.linkmarketservices.com.au

Email: registrars@linkmarketservices.com.au

STOCK EXCHANGES

The Company's ordinary shares are listed on the NZX Main Board and the ASX.

INCORPORATION

The Company was incorporated in New Zealand.

Fisher & Paykel Healthcare is a world leader in medical devices and systems for use in respiratory care, acute care, surgery and in the treatment of obstructive sleep apnea.

Fisher & Paykel
HEALTHCARE

www.fphcare.com

Annual Review 2017

RECORD NET PROFIT AFTER TAX
NZ$169.2m

↑18%

RECORD OPERATING PROFIT
NZ$240.1m

↑14%

RECORD OPERATING REVENUE
NZ$894.4m

↑10%

TOTAL DIVIDEND FOR THE YEAR
NZ 19.5CPS FULLY IMPUTED

↑17%

GROSS MARGIN IMPROVEMENT

205bps

HOSPITAL REVENUE GROWTH
NZ$500.4 MILLION

↑15%

NEW APPLICATIONS CONSUMABLES REVENUE GROWTH

↑24%

Fisher & Paykel HEALTHCARE

Dear Shareholders

We are pleased to report a record financial result with net profit after tax of $169.2 million, an increase of 18% over the previous year.

Operating revenue in our Hospital product group grew 15% to a record $500.4 million, driven again by growth from "new applications" of 24%. Consumables revenue from these "new applications", being products used in nasal high flow therapy, non-invasive ventilation and surgery, now accounts for 54% of our Hospital consumables revenue.

Revenue growth in obstructive sleep apnea (OSA) masks was 9% and was the major contributor to overall Homecare operating revenue growth of 4% to a record $381.5 million.

Our global team continues to deliver on our vision of improving care and outcomes through inspired and world-leading healthcare solutions. Assisting clinicians around the world to deliver the best possible patient care through continuous product improvement, pioneering new therapies and changing clinical practice, continues to be key to our success.

Healthcare systems are grappling with growing and ageing populations and the subsequent increased costs of delivering medical services, and we are uniquely placed to help address these demands.

Dividend

The Board has approved an increased final dividend for the year of 11.25cps. This takes the total dividend for the financial year to 19.5cps, an increase of 17% on the previous year.

Tony Carter

Lewis Gradon

We have high quality products that are designed to be easy to use, to help reduce a patient's need for costly, higher intensity care, and where possible, to facilitate a patient's independence and treatment in the home.

Achieving this often requires a change in clinical practice. For example, our Optiflow™ nasal high flow therapy system, which is driving a significant proportion of our growth, is at its core about changing clinical practice. The growth we are experiencing in demand for our products for nasal high flow therapy is supported by a significant number of clinical studies published showing meaningful benefits, and the efforts of our highly skilled teams who share this new evidence with clinicians on a daily basis.

This financial year we invested $86 million in research & development, equating to 9.6% of our operating revenue. This consistent investment has led to our current exciting and productive period of new product releases, and we anticipate further new masks, respiratory consumables, flow generators and compliance monitoring solutions to be introduced to the market over the next several years. Over the past year, we released a number of exciting new products – the F&P 950™, SleepStyle™, Optiflow Junior 2 and Nivairo™ and Brevida™ masks.

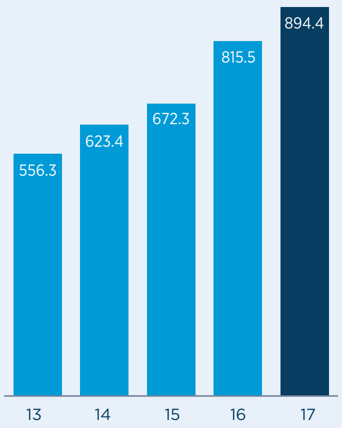
Our consistent long-term strategy continues to deliver growth and, with current rates, we expect to achieve NZ$1 billion in operating revenue within the next financial year.

TONY CARTER, CHAIRMAN

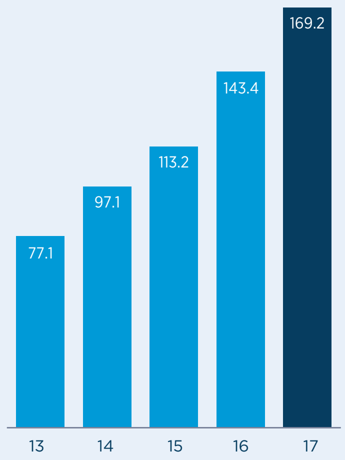
LEWIS GRADON, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Full Year Results

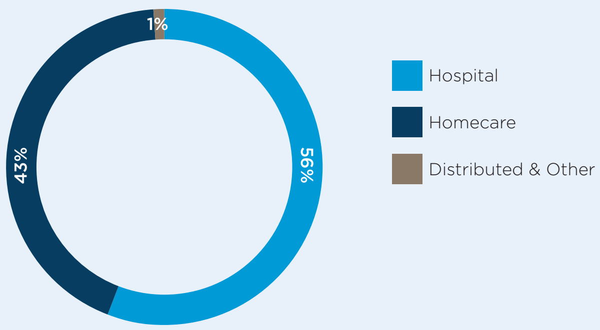
OPERATING REVENUE NZ$ MILLIONS



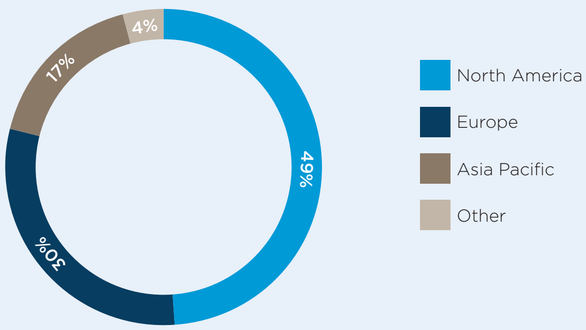
PROFIT AFTER TAX NZ$ MILLIONS



REVENUE BY PRODUCT GROUP – 12 MONTHS TO 31 MARCH 2017



REVENUE BY REGION – 12 MONTHS TO 31 MARCH 2017



Hospital

Our products are used throughout the hospital, predominantly in invasive and non-invasive ventilation, nasal high flow therapy and surgery.

Our devices include humidifiers, single-use and reusable chambers, breathing circuits, interfaces and accessories. These products are designed to humidify the gases that a patient receives during mechanical ventilation, non-invasive ventilation, nasal high flow therapy or laparoscopic and open surgery.

Key products include the Airvo™ flow generator and humidifier, Optiflow nasal cannula range, F&P 950 heated humidification system, Evaqua™ breathing circuits and HumiGard™ surgical humidification system.

Sales of Hospital products accounted for 56% of operating revenue in FY17.

OPERATING REVENUE

↑15%

CONSTANT CURRENCY REVENUE GROWTH

↑19%

FY17 HIGHLIGHTS

AUSTRALASIA
Launched F&P 950 system

AUSTRALASIA, EUROPE, CANADA
Launched F&P Nivairo mask

GLOBAL
Publication of more than 200 studies on nasal high flow therapy

Homecare

Our Homecare product group focuses on devices that are used for the treatment of OSA and patients requiring home respiratory support.

Our products in this group include CPAP therapy devices and masks, flow generators, interfaces and data management technologies. Key products in this group are the myAirvo™ flow generator and humidifier and Simplus™, Eson™ and Brevida OSA masks.

Sales of Homecare products accounted for 43% of operating revenue in FY17.

OPERATING REVENUE

↑4%

CONSTANT CURRENCY REVENUE GROWTH

↑8%

FY17 HIGHLIGHTS

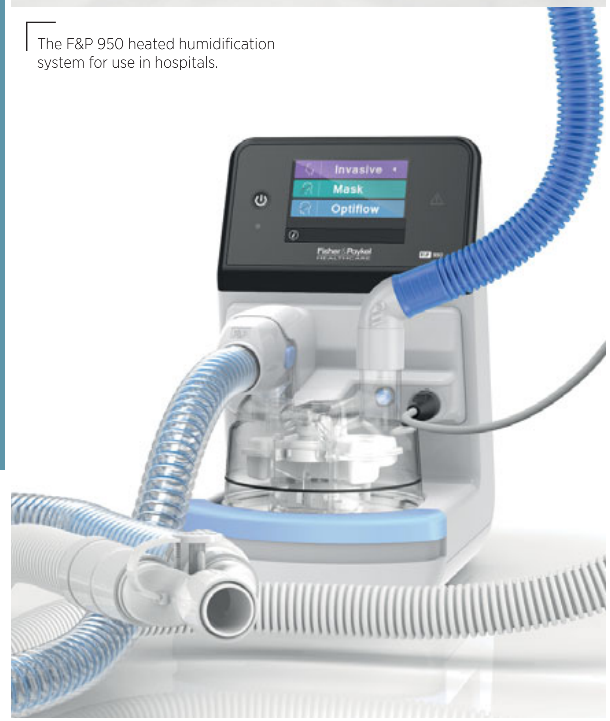
GLOBAL
Launched Brevida nasal pillows mask

UNITED STATES
Launched Eson 2 nasal mask

GLOBAL
Received an International Forum product design award for the Brevida mask

JAPAN
Launched myAirvo™ home respiratory system in Japan

Our award-winning Brevida nasal pillows mask for OSA.



The F&P 950 heated humidification system for use in hospitals.

SHARE REGISTRAR

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Link Market Services Limited

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Internet address: www.linkmarketservices.co.nz
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IN AUSTRALIA:

Link Market Services Limited

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Email: registrars@linkmarketservices.com.au

For further reading visit: www.fphcare.com/2017annualreport

Annual Corporate Governance Statement 2017

Fisher & Paykel HEALTHCARE

APPROVED BY THE BOARD OF FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED ON 19 MAY 2017

As encouraged by the ASX Corporate Governance Council, Fisher & Paykel Healthcare Corporation Limited (the "company" or "Fisher & Paykel Healthcare") has published certain corporate governance disclosures on its website through this corporate governance statement.

The Annual Report for the financial year ended 31 March 2017 incorporates this corporate governance statement by cross-reference. This statement was approved by the Board on 19 May 2017 and is accurate as at that date.

The Board and management of Fisher & Paykel Healthcare are committed to ensuring that the company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews and assesses the company's governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The company is listed on both the New Zealand and Australian stock exchanges. Corporate governance principles and guidelines have been introduced in both countries. These include the Australian Securities Exchange (ASX) Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition), the NZX Main Board Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code (to be replaced by the NZX Corporate Governance Code in October 2017) and the Financial Markets Authority handbook Corporate Governance in New Zealand Principles and Guidelines (collectively, the "Principles"). The Board considers that the company's corporate governance practices and procedures substantially reflect the Principles (including, although not yet in force, the NZX Corporate Governance Code).

The ASX Corporate Governance Council Corporate Governance Principles and Recommendations set out eight principles of good corporate governance. On 20 June 2016 Fisher & Paykel Healthcare changed its admission category to an ASX Foreign Exempt Listing. As part of this change, Fisher & Paykel Healthcare is not required to comply with many of the ASX Listing Rules, including the requirement to report against the ASX Corporate Governance Council Corporate Governance Principles and Recommendations. However, Fisher & Paykel Healthcare has decided to continue to follow the ASX Governance Council requirements and has chosen to use this to structure its corporate governance reporting. The company will review this approach after the NZX Corporate Governance Code comes into full force and effect.

The full content of the company's corporate governance policies, practices and procedures can be found in the corporate governance section of the company's website - www.fphcare.com/corporategovernance (the "Company's Website").

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Responsibilities of Board and Management

The business and affairs of the company are managed under the direction of the Board of Directors. At a general level, the Board is elected by shareholders to:

- establish the company's objectives;
- develop major strategies for achieving the company's objectives;
- manage risks;
- determine the overall policy framework within which the business of the company is conducted; and
- monitor management's performance with respect to these matters.

The Board Charter regulates internal Board procedure and describes the Board's specific roles and responsibilities. A copy of the Board Charter is available on the Company's Website.

The Board delegates management of the day-to-day affairs and responsibilities of the company to the Chief Executive Officer and the executive to deliver the strategic direction and goals determined by the Board. The Board Charter records the specific responsibilities delegated to management.

The Board has four permanent committees which support the Board by working with management on relevant issues at a suitably detailed level and then reporting back to the Board. These committees are:

- Audit & Risk Committee
- Remuneration and Human Resources Committee
- Nomination Committee
- Quality, Safety and Regulatory Committee

Each of these committees has a charter setting out the committee's objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's Website. The Board may from time-to-time establish other committees for specific purposes. For example, last year the Board established the Intellectual Property Litigation Committee, comprising Tony Carter, Scott St John, Lindsay Gillanders and Donal O'Dwyer (although all directors are invited to attend the meetings). The company also has a framework for dealing with takeover offers, and the Board would establish an independent committee to oversee any acquisition of the company.

Written Agreements with Directors and Management

Upon appointment, non-executive directors are issued a letter setting out the terms and conditions of their appointment. A copy of the standard form of this letter is available on the Company's Website. The Chief Executive Officer and other members of the senior management team have employment agreements setting out their roles and conditions of employment. The company has set delegated authorities controlling the extent to which employees can commit the company.

Director's Access to Information

The standard non-executive director appointment letter records that, with the approval of the Chairperson, a director may seek independent professional advice, at the expense of the company, on any matter connected with the discharge of that director's responsibilities. Copies of this advice should be made available to, and for the benefit of, all Board members, unless the Chairperson agrees otherwise.

Role of the Company Secretary

The Company Secretary reports directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Diversity

Information about diversity at Fisher & Paykel Healthcare, including measurable objectives and the respective proportions of men and women across the company, can be found in the “Diversity” section of our 2017 Annual Report.

Evaluation of Board Performance

The Board has a policy in place relating to the performance evaluation of the Board, the Board’s committees and individual directors. During the year ended 31 March 2017 an externally facilitated performance evaluation was under taken by Propero Consulting. A summary of the company’s Performance Evaluation Policy is available on the Company’s Website.

The Board Charter requires the Board to undertake a two-yearly performance evaluation of itself that:

- compares the performance of the Board with the requirements of its Charter;
- reviews the performance of the Board’s committees;
- sets forth the goals and objectives of the company for the upcoming year; and
- effects any improvements to the Board Charter deemed necessary or appropriate.

Evaluation of Senior Management Performance

The company’s senior executives are subject to regular performance reviews. The performance of senior executives is reviewed by the CEO who meets with each senior executive to discuss their performance, as measured against key performance targets (both financial and non-financial) previously established and agreed with that executive. During the year ended 31 March 2017, performance reviews took place in accordance with that process.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board Composition

The number of directors is determined by the Board, in accordance with the company’s constitution. The constitution requires that there are at least four directors, and no more than nine directors. The company undertakes a number of checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with information in its possession relevant to a decision on whether or not to elect or re-elect a director. Further information about the company’s policies for the appointment and selection of new directors is available on the Company’s Website.

The Board currently comprises eight directors, being Tony Carter, Michael Daniell, Scott St John, Lindsay Gillanders, Geraldine McBride, Arthur Morris, Donal O’Dwyer and Lewis Gradon. Seven of the eight directors are non-executive directors. Lewis Gradon is the only executive director on the Board. The Chairperson of the Board is Tony Carter.

The biography of each Board member, including each director’s skills, experience, expertise and the term of office held by each director, is set out in the “Board of Directors” section of the 2017 Annual Report and is available on the Company’s Website.

Board Diversity and Skills Matrix

Diversity is recognised and respected at Fisher & Paykel Healthcare. At Board level, diversity allows us to benefit from a range of different perspectives, which leads to healthier debate and decision making. While all Board appointments are based on merit, diversity, including gender diversity, is also taken into account.

As the company operates in specialised international markets, the Board believes that it is important to have a board consisting of members with diverse backgrounds, experience and skills. The Board also believes that the tenure of each of its members is important as it seeks to balance independent, institutional knowledge gained through length of service and the importance of fresh perspectives in decision-making.

The following table summarises the key skills and experience, and tenure of the Board.

Skills and Experience	Tony Carter	Michael Daniell	Scott St John	Lindsay Gillanders	Geraldine McBride	Arthur Morris	Donal O’Dwyer	Lewis Gradon
Financial acumen	•	•	•	•	•	•	•	•
Sales/Marketing	•	•	•		•	•	•	•
Engineering/ Science/ Technology/ Manufacturing	•	•		•	•		•	•
Medicine/ Medical Device		•				•	•	•
Legal/ Regulatory		•	•	•			•	•
Governance	•	•	•	•	•	•	•	•
International Business Experience	•	•	•	•	•	•	•	•
Tenure (years)	**6**	**15**	**1.5**	**25**	**3.5**	**9**	**4**	**1**

Note that the Board considers that some directors will have greater expertise in certain areas than others, but have regarded directors who have at least the minimum required level of skill and experience in this area as the basis for the table above.

For details of individual directors see the “Board of Directors” section of the 2017 Annual Report.

Independence of Directors

The factors that the company will take into account when assessing the independence of its directors are set out in its Board Charter, a copy of which is available on the Company's Website. No quantitative materiality thresholds have been adopted by the company because it was considered more appropriate to determine independence on a case by case basis.

After consideration of these factors, the company is of the view that:

1. No director is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
2. Michael Daniell and Lewis Gradon are directors who, within the last three years, have been employed in an executive capacity by the company or another group member, or have been a director after ceasing to hold any such employment.
3. No director has been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with such service provider, within the last three years.
4. No director is a material supplier or customer of the company or other group member, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
5. No director has a material contractual relationship with the company or another group member other than as a director of the company.
6. No director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company. In this context, the Board specifically confirms that it has unanimously endorsed Lindsay Gillanders' position as a valued independent director of the company.
7. All directors are free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Based on these assessments, the company considers that, as at 31 March 2017, six of the directors are independent directors, namely Tony Carter (Chair), Scott St John, Lindsay Gillanders, Geraldine McBride, Arthur Morris and Donal O'Dwyer.

The roles of Chair of the Board and Chief Executive Officer are held by separate individuals. The company's Chairperson is required to be an independent director and may not be the Chief Executive Officer.

Nomination Committee

The procedure for the appointment and removal of directors is ultimately governed by the company's constitution. A director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy.

The Board has delegated to the Nomination Committee the responsibility for recommending candidates to be nominated as a director and candidates for the committees. When recommending candidates to act as director, the Nomination Committee takes into account such factors as it deems appropriate, including the diversity of gender, background, experience and qualifications of the candidate.

The members of the Nomination Committee are Tony Carter (Chairperson), Donal O'Dwyer and Scott St John. All members of the Nomination Committee are independent directors.

A copy of the Nomination Committee Charter is available on the Company's Website.

Board Meetings

Normally, the Board holds eight formal meetings a year, two of which serve to review and approve the company's strategy and financial plans. At the Board meeting in March, the Board reviews the strategy and business plans for the next financial year and at the Board meeting in October the Board reviews the company's long-term strategic plan. Additional meetings are held as required. The Board also meets with senior executives to consider matters of strategic importance.

Details of attendance at Board and Committee meetings during the year ended 31 March 2017 are contained in the 2017 Annual Report.

Induction and Continuing Development of Directors

A formal induction program is available to new directors to ensure that they have a working knowledge of the company. The program includes one-on-one meetings with management and a tour of the company's research and development and manufacturing facilities. All directors are regularly updated on relevant industry and company issues. From time to time the Board may also undertake educational trips to receive briefings from customers and visit operations of the company outside of New Zealand. There is an ongoing program of presentations to the Board by all business units.

PRINCIPLE 3: COMPANIES SHOULD ACTIVELY PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Codes of Conduct

The company expects its employees and directors to maintain high ethical standards. A Code of Conduct for the company and a separate Directors' Code of Conduct set out these standards.

Both codes address, among other things:

- conflicts of interest;
- receipt of gifts;
- corporate opportunities;
- confidentiality;
- expected behaviours;
- reporting issues regarding breaches of the codes, legal obligations and other policies of the company; and
- obligations for a director to act in good faith and in what the director or employee believes to be the best interests of the company.

In 2016 the Code of Conduct was revised and updated. In 2017 training on the revised Code of Conduct was developed and undertaken by New Zealand employees. During the first half of the current financial year the training on the Code of Conduct will be undertaken by employees located outside New Zealand.

In addition to this policy, the company has policies to facilitate the disclosure and investigation of matters of serious wrongdoing within the company. The company also has a policy that it does not make corporate level political donations.

Copies of the company's Code of Conduct and Code of Conduct for Directors can be found on the Company's Website.

As disclosed on 22 March 2017, a former employee, Simon Hall, pleaded guilty to charges laid by the Serious Fraud Office (SFO), in relation to actions taken while an employee of Fisher & Paykel Healthcare. It is understood that Mr Hall received approximately $213,000 in payments. When the company became aware in 2014 of issues relating to the management of two Middle East distributors the company commissioned a third party to conduct an internal investigation. Following the outcome of the investigation, Mr Hall was dismissed for misconduct and the matter was referred to the SFO. The company does not tolerate this type of behaviour and, following an independent review, the company is confident in our systems to prevent a recurrence.

Trading by Company Directors and Officers Policy

The Securities Dealing Policy and Guidelines identifies circumstances where directors and officers are permitted to trade, or prohibited from trading, company securities. The company is committed to complying with legal and statutory requirements with respect to ensuring directors and officers do not trade company securities while in possession of inside information.

A copy of the Securities Dealing Policy and Guidelines is available on the Company's Website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit & Risk Committee

The primary function of the Audit & Risk Committee is to assist the Board in fulfilling its responsibilities relating to the company's risk management and internal control framework, the integrity of its financial reporting and the company's internal and external auditing processes and activities.

Under the Audit & Risk Committee Charter, the Committee must be made up of non-executive directors, the majority of whom must be independent. Further, the Chair of the Committee must be an independent director and cannot be the Chairperson of the Board.

The members of the Audit & Risk Committee are Scott St John (Chairperson), Tony Carter and Lindsay Gillanders. All members of the Audit & Risk Committee are independent non-executive directors. The external auditors are invited to attend meetings when it is considered appropriate by the Committee. The Committee, at least once per year, meets with the auditors without any representatives of management present and is encouraged to seek advice from external consultants or specialists where the Committee considers that necessary or desirable.

Further details are also provided in the Audit & Risk Committee Charter available on the Company's Website.

External Financial Auditors Independence Policy

The Audit and Risk Committee has also adopted a policy in respect of the independence of the external financial auditor. This policy places limitations on the extent of non-audit work which can be carried out by the external financial auditors, and requires the lead partner and review partner of the external financial auditors to change every five years. The External Financial Auditors Independence Policy can be found on the Company's Website.

The Board also requires the external financial auditors to attend the company's annual shareholders' meeting in order to answer any question from shareholders relating to the audit for that financial year.

Approval of Financial Statements

The Audit & Risk Committee closely monitors financial reporting risks in relation to the preparation of the financial statements. The Audit & Risk Committee, with the assistance of management, works to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. As part of this process, before the company's financial statements are approved, the Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board that, to the best of their knowledge, the company's financial reports present a true and fair view of the company's financial condition and operational results and are in accordance with the relevant accounting standards and those reports are founded on a sound system of risk management and internal control which is operating effectively.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The company is committed to the promotion of investor confidence by ensuring that the trading of company shares takes place in an efficient, competitive and informed market. The company believes that evenly balanced disclosure is fundamental to building shareholder value and earning the trust of employees, customers, suppliers, communities and shareholders.

The company's Market Disclosure Policy establishes the company's disclosure policies for meeting the company's continuous disclosure obligations. A summary of the Market Disclosure Policy is available on the Company's Website.

The company has formal policies for managing its disclosure requirements. The Disclosure Committee, comprising the Chief Executive Officer, the Chief Financial Officer, the General Manager Corporate and the General Counsel, is responsible for administering the company's compliance with its Market Disclosure Policy, including its continuous disclosure obligations. Market disclosure requires the approval of either the Board or the Disclosure Committee, depending on the circumstances.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder Communications

The aim of the company's communication arrangements is to provide shareholders with information about the company and to enable shareholders to actively engage with the company and exercise their rights as shareholders in an informed manner. The company's Shareholder Communication Policy facilitates communication with shareholders through written and electronic communication, and by facilitating shareholder access to directors, management and the company's auditors. A copy of the Shareholder Communication Policy is available on the Company's Website.

The company provides shareholders with communication through the following channels:

- the investor section of the Company's Website;
- the Annual Report;
- the Interim Report;
- the annual shareholders' meeting;
- regular disclosures on company performance and news; and
- disclosure of presentations provided to analysts and investors during regular briefings.

The Company's Website is an important part of the company's Shareholder Communications Policy. Included on the website is a range of information relevant to shareholders and others concerning the operation of the company and its subsidiaries, including information about the company and its history, biographies of the company's directors and senior management, the company's constitution, Board Charter (and the charters of the various subcommittees) and other corporate governance policies of the company.

Shareholders may, at any time, direct questions or requests for information to directors or management through the Company's Website or by contacting the company's General Manager Corporate the contact details for whom are available on the Company's Website.

The company provides shareholders with the option to receive communications from, and send communications to, the company and its share registrar electronically.

The company has in place an investor relations program to facilitate effective two-way communication with investors. A summary of issues discussed at one-on-one or group meetings with investors and analysts, including a record of those present, time and venue of the meeting, is kept for internal reference only.

Shareholder Meetings

The annual shareholders' meeting of the company is currently held in Auckland, New Zealand, as the Board believes this location best facilitates attendance by shareholders at the meeting. The Board encourages active participation by shareholders at the annual shareholders' meeting and shareholders may present questions during the meeting.

The company also offers an electronic voting facility to allow shareholders to vote ahead of the meeting without having to attend or appoint a proxy.

Electronic Communications

Shareholders have the option to receive communications from, and send communications to, the company and its share registry electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The company has a number of risk management policies for the oversight and management of financial and non-financial material business risks, as well as related internal compliance systems that are designed to:

- optimise the return to, and protect the interests of, stakeholders;
- safeguard the company's assets and maintain its reputation;
- improve the company's operating performance; and
- fulfil the company's strategic objectives.

A summary of the company's Risk Management Policy is available on the Company's Website. Although the Board ultimately has responsibility for internal compliance and control, the Audit & Risk Committee is responsible for oversight of the company's risk management and internal control framework. Please see "Principle 4" for information regarding the composition of the Audit & Risk Committee.

The Audit & Risk Committee, in conjunction with management, regularly reports to the Board on the effectiveness of the company's management of its material business risks and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

The company has an internal audit function that is managed internally. The company maintains a risk register and regularly carries out targeted internal audits with the assistance of specialised external providers. An annual internal audit plan is presented to and approved by the Audit & Risk Committee and at least four times a year the Audit & Risk Committee receives an internal audit report.

The Audit & Risk Committee reviews the company's risk management framework annually to satisfy itself that it continues to be sound. A review of this framework has taken place in relation to the period under review.

Quality, Safety and Regulatory Committee

The Quality, Safety and Regulatory Committee's role is to assist the Board in fulfilling its responsibilities relating to the company's health and safety risk management system and oversight of the company's quality management system. As part of the company's internal audit function, regular quality system specific internal audit reports are received by the Committee.

The members of the Quality, Safety and Regulatory Committee are Arthur Morris (Chairperson), Tony Carter and Donal O'Dwyer. All members of the Quality, Safety and Regulatory Committee are independent directors.

A copy of the Charter of the Quality, Safety and Regulation Committee is available on the Company's Website.

Each year the company publishes a Corporate Responsibility and Sustainability Report. In this report the company provides information about how we manage our health and safety risks and reports on the company's health and safety risks, performance and management.

Material Exposure to Economic, Environmental and Social Sustainability Risks

Risks that could affect results and performance include:

- a major regulatory compliance failure resulting in product recall and/or significant loss;
- significant product quality issues including product liability claims;
- breach of competitors' intellectual property rights either by us or a breach of our intellectual property rights by a material competitor;
- a long-term structural increase in the value of the New Zealand dollar relative to major currencies in which sales are made;
- material sales market is unexpectedly closed or prohibitive costs are applied to our products and operations due to political or legislative changes;
- ethical labour concerns as a result of either our own or a supplier's practices;
- R&D activity with patients results in injury, fatality or serious harm;
- manufacturing capacity cannot keep up with growth;
- loss of key manufacturing asset;
- the emergence of disruptive technologies, products, or therapies;
- inability to continuously and effectively innovate;
- critical system crash corrupts data and prevents production; and
- compliance with privacy regulations and laws globally

The company has in place a number of mechanisms and internal controls intended to manage these areas of material business risk. These include:

- Board committees, including the Audit & Risk Committee and Quality Safety & Regulatory Committee;
- a quality management system;
- intellectual property teams that conduct a thorough freedom to operate process before products are released to market, and monitor competitor product releases for breaches of our intellectual property;
- ICT risk management systems;
- detailed management and financial accounting reporting systems, controls and policies;
- delegated authorities;
- risk management and internal audit structures to assess and evaluate risk and controls;
- systems to ensure that capital expenditure and leasing commitments above a certain size obtain prior Board approval and that business transactions are properly authorised and executed;
- established organisational structures, setting out clear lines of responsibility for managers and staff;
- occupational and safety and health policies;
- regular building services monitoring and maintenance;
- comprehensive human resources policies;
- environmental policies; and
- risk transfer mechanisms to financially mitigate major risks such as product liability claims and damage to manufacturing assets.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee's role is to oversee and regulate remuneration and organisation matters of the company, including remuneration and benefits policies; performance objectives and remuneration of the company's senior executives; succession planning and associated management development for the Chief Executive Officer and senior executives. The members of the Remuneration and Human Resources Committee are Tony Carter (Chairperson), Donal O'Dwyer and Scott St John. All members of the Remuneration and Human Resources Committee are independent directors. A copy of the Charter of the Remuneration and Human Resources Committee is available on the Company's Website.

Director's Remuneration

The Remuneration and Human Resources Committee is responsible for establishing and monitoring remuneration policies and guidelines for directors which enable the company to attract and retain directors who contribute to the successful governing of the company and create value for shareholders.

The company also takes advice from independent consultants, and takes into account fees paid to directors of comparable companies in New Zealand and Australia as part of its assessment of the appropriate level of remuneration of directors.

The directors' fees received by non-executive directors in the year ended 31 March 2017 are set out in the 2017 Annual Report. Executive directors are not entitled to receive any remuneration solely in their capacity as directors of the company. See the "Senior Management Remuneration" section of this statement for information about remuneration of executive directors.

The maximum total monetary sum payable by the company by way of directors' fees is $950,000 per annum as approved by shareholders at the 2014 annual shareholders' meeting.

Non-executive directors do not take a portion of their remuneration under an equity security plan but directors may hold shares in the company, details of which are set out in the "Directors' Shareholdings" section of the 2017 Annual Report. It is the company's policy to encourage directors to acquire shares on-market.

No non-executive director is entitled to receive a retirement payment unless eligibility for such payment has been agreed by shareholders and publicly disclosed during his or her term of Board service or such retirement payment is within the limits prescribed by the NZX Main Board Listing Rules.

On the retirement of a director, the NZX Main Board Listing Rules allow for a discretionary payment by way of lump sum or pension to that director, provided that the total amount of the payment does not exceed that director's total remuneration in their capacity as a director in any three years chosen by the company, and the director was in office on or before 1 May 2004 and has continued to hold office since that date. Any payments made will be within the limits prescribed by the NZX Main Board Listing Rules, subject to the discretion of the Board, and will take into account a range of factors, including the director's length of service. The retiring director does not participate in discussions concerning any retirement payment to be made to them.

As approved at the 2004 annual shareholders' meeting, the Board has resolved that it will not pay any future retirement benefits to non-executive directors other than, at the Board's discretion, a retirement allowance of one year's directors' fees to each non-executive director in office at the time of the 2004 meeting, such amount being equal to the average of the annual fees paid to that director in any three years prior to that director's retirement or cessation of office, and payable on retirement or cessation of office.

The non-executive directors' retirement allowances that have been provided for by the company as at 31 March 2017 are set out in the 2017 Annual Report.

Senior Management Remuneration

The Remuneration and Human Resources Committee is responsible for reviewing the remuneration of the company's senior management in consultation with the Managing Director of the company.

The remuneration policy for senior management is designed to attract, reward and retain high quality employees who will enable the company to achieve its short and long term objectives.

The remuneration packages of senior management consist of a combination of a fixed remuneration package, the company-wide profit sharing bonus, an annual variable remuneration (AVR) component and a long term variable remuneration (LVR) component.

Annual Variable Remuneration

The AVR component is based 80% on financial measures and 20% on non-financial measures.

The weighting of the performance measures for financial AVR targets in the 2017 financial year, together with the results of performance against those targets during that financial year, is set out below:

Performance Measure	Weighting	Amount of Target Achieved
Constant currency operating profit	45%	104.0%
Constant currency revenue	25%	102.1%
Constant currency pre-tax operating cash flow	10%	123.1%

Meeting both the financial and individual targets results in a payment of 100% of the AVR amount. The AVR payment amount is adjusted pro-rata, with each 1% above or below target resulting in a 2% increase or decrease in payment. The maximum payment is 140% of the AVR amount at 20% over achievement. Should any financial measures be underachieved by more than 10%, no AVR is payable for that measure.

The weighting of performance measures for AVR targets in the 2017 financial year remains the same as those used for the 2016 financial year.

Long Term Variable Remuneration

The LVR component consists of share options, performance share rights and participation in the company's employee share purchase plan. These long term plans are intended to encourage the retention of senior management and increase the commonality between the interests of management and shareholders. Further information on the company's LVR arrangements can be found in the "Long Term Variable Remuneration" section of the Company's Website.

A general and wider disclosure of senior management remuneration is included in the "Employee Remuneration" section set out in the Corporate Governance and Statutory Information section of the 2017 Annual Report, where the company has disclosed remuneration (inclusive of the value of other benefits) received by employees or former employees of the company or its subsidiaries in the relevant bandings of annual employee remuneration exceeding $100,000 received in the year ended 31 March 2017.

With respect to employee share purchase plans or equity-based remuneration schemes operating with respect to company securities, no director or employee is permitted to enter into financial products or arrangements which operate to limit the economic risk of their vested or unvested entitlements.

NZX Appendix 1 Information

Results for announcement to the market

FULL YEAR REPORTING

Reporting Period	12 months to 31 March 2017
Previous Reporting Period	12 months to 31 March 2016

EARNINGS

	Amount (NZ$000)	Percentage change
Operating revenue from ordinary activities	$894.4	10%
Earnings before interest and tax	$240.1	14%
Net profit attributable to shareholders	$169.2	18%

DIVIDENDS

	Amount per share NZ cents	Imputed amount per share* NZ cents	Gross amount per share* NZ cents
Final Dividend	11.25 cents	4.3750 cents	15.6250 cents

* NZ resident shareholders

Record Date	16 June 2017
Dividend Payment Date	7 July 2017

The company operates a dividend reinvestment plan for New Zealand and Australian resident shareholders. For the Final Dividend no discount will be applied. Participation notices must be received on or before the first business day after the Record Date to be eligible to participate in entitlements under the plan. A copy of the plan offer document is available at www.fphcare.com/drp.

FINANCIAL INFORMATION AND COMMENTARY

For commentary on the results please refer to the news release and financial commentary section of the company's 2017 Annual Report. This appendix should be read in conjunction with the company's financial statements for the year ended 31 March 2017, contained in the company's 2017 Annual Report, and the company's most recent audited financial statements.

NET TANGIBLE ASSETS PER SECURITY

	31 March 2016	31 March 2017
Net tangible assets per security	NZ$0.86	NZ$1.06

CONTROL OF ENTITIES GAINED OR LOST

There was no gain or loss of control of entities during the year ended 31 March 2017.

ASSOCIATES AND JOINT VENTURES

The company does not have any associates or joint ventures.

ACCOUNTING STANDARDS

The company's full year financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

BASIS OF REPORT

This report is based on the audited company financial statements.

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Number of pages including this one (Please provide any other relevant details on additional pages) [ ]

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Full name of Issuer	Fisher & Paykel Healthcare Corporation Limited
Name of officer authorised to make this notice	Antony G. Barclay
Authority for event, e.g. Directors' resolution	Directors' Resolution
Contact phone number	(09) 574 0119
Contact fax number	(09) 574 0176
Date	19 / 05 / 2017

Nature of event
Tick as appropriate

Bonus Issue	[ ]
If ticked, state whether: *Taxable*	[ ]
/ Non Taxable	[ ]
Conversion	[ ]
Interest	[ ]
Rights Issue Renouncable	[ ]
Rights Issue non-renouncable	[ ]
Capital change	[ ]
Call	[ ]
Dividend	☑
If ticked, state whether: Interim	[ ]
Full Year	☑
Special	[ ]
DRP Applies	☑

EXISTING securities affected by this — *If more than one security is affected by the event, use a separate form.*

Description of the class of securities	Ordinary Shares
ISIN	NZFAPE0001S2

If unknown, contact NZX

Details of securities issued pursuant to this event — *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities	
ISIN (*If unknown, contact NZX*)	
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g 1 for 2	for
Conversion, Maturity, Call Payable or Exercise Date (*Enter N/A if not applicable*)	
Treatment of Fractions	
Tick if pari passu	[ ]
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event — *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

Amount per security (does not include any excluded income)	11.25 cents/share
Source of Payment	Revenue Reserves
Excluded income per security (only applicable to listed PIEs)	
Currency	New Zealand Dollars
Total monies	$63,888,916

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	1.985294 cents/share
Date Payable	7 July, 2017

Taxation — *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	0.781250 cents/share
Imputation Credits (Give details)	4.375000 cents/share
Foreign Withholding Tax	$
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	16 June, 2017
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.*	7 July, 2017
Notice Date *Entitlement letters, call notices, conversion notices mailed*	
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

NZX

22 May 2017

Dear Shareholder,

FISHER & PAYKEL HEALTHCARE ANNUAL REPORT 2017

Fisher & Paykel Healthcare Corporation Limited's annual report for the year ended 31 March 2017 is now available on our website at www.fphcare.com/2017annualreport.

Request for electronic communications
If you do not currently receive your Fisher & Paykel Healthcare shareholder communications electronically, we would encourage you to elect to do so by providing your email address details in the box below. It keeps costs down, delivery to you is faster and it is better for the environment.

I/We wish to receive all Fisher & Paykel Healthcare shareholder communications electronically (by email) where possible at my / our email address as stated below:

If you have any questions about changing how you receive shareholder communications as a Fisher & Paykel Healthcare shareholder please contact Link Market Services on +64 9 375 5998 or by email at: enquiries@linkmarketservices.co.nz.

Request for printed copies of reports
Even though Fisher & Paykel Healthcare's annual report is available electronically, you have the right to receive, upon request and free of charge, a printed copy of the annual report and the next half year report (when available).

If you wish to receive a printed copy of these reports, please visit the Link Market Services Investor Centre at https://investorcentre.linkmarketservices.co.nz and update your communication preference. You will require your CSN/Holder Number and FIN to access your holding information. Alternatively, please complete the section below and return this form to our registry, Link Market Services, within 15 working days of receiving this form. This year the company has decided not to prepare a concise annual report.

I/We would like to receive a printed copy of Fisher & Paykel Healthcare's annual report and half year report (when available) each year.	☐ Please tick this box only if you wish to receive a printed copy of the reports

If you elect to receive printed copies, we will continue to send you printed copies unless you ask us to stop doing so. Please return the form to our registry, Link Market Services in any of the following ways:

SCAN & EMAIL TO:	operations@linkmarketservices.com (please put "FPH Annual Report" in the subject line for easy identification)
FAX TO:	+64 9 375 5990
MAIL:	Please insert this entire page in an envelope, affix the necessary postage and mail to Link Market Services, PO Box 91976, Victoria Street West, Auckland 1142, New Zealand.
DELIVER:	Level 11, Deloitte Centre, 80 Queen Street, Auckland 1010, New Zealand.