Fisher & Paykel HEALTHCARE

News Release

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

FISHER & PAYKEL HEALTHCARE REPORTS RECORD FULL YEAR NET PROFIT, UP 20%

Auckland, New Zealand, 23 May 2013 - Fisher & Paykel Healthcare Corporation Limited (NZSX:FPH, ASX:FPH) today reported record net profit after tax of NZ$77.1 million for the year ended 31 March 2013, an increase of 20% compared to the prior year. Full year operating revenue was a record NZ$556.3 million, 8% above the prior year or 11% growth in constant currency.

For the second half, net profit after tax grew by 22% to NZ$43.8 million and operating revenue grew 9% to NZ$289.3 million. In constant currency, second half operating revenue increased by 14% and net profit after tax increased by 54%, primarily as a result of revenue growth, improved gross margins and operating efficiencies.

Respiratory and acute care product group (RAC) operating revenue grew 18% and Obstructive Sleep Apnea product group (OSA) operating revenue grew 10% in constant currency, compared to the prior year second half.

“Robust growth in our RAC product group was driven by strong demand for our respiratory systems, which help to improve effectiveness and efficiency of care in a wide range of applications, including invasive ventilation, non-invasive ventilation, oxygen therapy and humidity therapy”, commented Fisher & Paykel Healthcare’s CEO, Mr Michael Daniell. “Growth in revenue from new applications beyond invasive ventilation was very strong, with consumables revenue from those increasing 38%, in constant currency, for the second half.

“Enthusiastic customer acceptance of our easy to fit, comfortable and effective Pilairo nasal pillows and Eson nasal masks drove OSA mask revenue growth of 16% in the second half, in constant currency. Early indications are that our recently introduced Simplus full-face mask will also be very well accepted.

“Our new ICON+ flow generator range is rolling out to our major markets at present, and combines very simple setup with our comfort enhancing SensAwake and ThermoSmart systems and our efficient cloud-based Info Technologies for compliance data recording and reporting”.

Dividend

The company’s directors have approved a final dividend for the financial year ended 31 March 2013 of 7.0 NZ cents per ordinary share (2012: 7.0 cents), carrying full imputation credit. For New Zealand resident shareholders that results in a gross dividend of 9.722 cents per ordinary share. Eligible non-resident shareholders will receive a supplementary dividend of 1.235 NZ cents per ordinary share. The final dividend will be paid on 5 July 2013, with a record date of 21 June 2013, and ex-dividend dates of 17 June 2013 for the ASX and 19 June 2013 for the NZSX.

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

Research & Development, Selling, General & Administrative expenses

Research and development (R&D) expenses increased by 9% over the prior year to NZ$45.7 million, representing 8.2% of operating revenue.

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

Selling, general and administrative (SG&A) expenses increased 6% to NZ$151.8 million, or 9% in constant currency, as the company continued to expand its operations and its sales teams in the North America, Europe and Asia-Pacific regions.

Capacity Expansion

During the year the company invested NZ$62.0 million of capital expenditure, which included equipment for increased manufacturing capacity, new product tooling, replacement equipment and NZ$33.6 million for completion of the third building on its Auckland site. The company expects capital expenditure to be approximately NZ$40 million for the 2014 financial year.

The ramp-up of manufacturing of consumable products at the company's facility in Tijuana, Mexico progressed as expected with an increasing quantity and range of the company's products now manufactured there. Increased volume from the Mexico facility contributed to the increase in gross margin.

Foreign Exchange Hedging

To protect the company from exchange rate volatility, the company had in place at 31 March 2013 a mix of foreign exchange contracts and collar options, up to five years forward, with a face value of approximately NZ$385 million. These instruments hedge the company's net exposure. At the commencement of the 2014 financial year, the company had in place approximately 60% cover for the US dollar and approximately 77% cover for the Euro at average rates of approximately 0.76 US dollars and 0.47 Euros to the New Zealand dollar.

The company closed out foreign exchange contracts in the 2010 and 2012 financial years, which will contribute NZ$21.3 million in the 2014 financial year to operating profit but not to cash flow, as the cash was received in the 2010 and 2012 financial years. Those instruments were progressively replaced with new instruments that form part of the company's current foreign exchange hedging.

Outlook for FY2014

"We expect our underlying revenue growth to continue to be robust this year, driven by a broad range of new products and applications.

"Constant currency operating margin is expected to increase, as a result of growth in higher margin differentiated products, cost reductions and other efficiencies.

"For the 2014 financial year, based on an exchange rate range of 0.80 to 0.85 for the NZD:USD for the remainder of the year, we expect our operating revenue to be in the range of NZ$610 million to NZ$630 million and net profit after tax to be in the range of NZ$85 million to NZ$90 million", concluded Mr Daniell.

Financial Statements and Commentary

Attached to this news release are condensed NZ dollar financial statements and commentary. For convenience the income statement has been translated into US dollars. The US dollar financial statement is non-conforming financial information, as defined by the NZ Financial Markets Authority.

The company's financial statements for the year ended 31 March 2013 and the comparative financial information for the year ended 31 March 2012 have been prepared under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

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

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

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 2014 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: 69177616.

New Zealand Toll Free	0800 452 569	USA Toll Free	1866 242 1388
Australia Toll Free	1800 354 715	Hong Kong Toll Free	800 968 831
United Kingdom Toll Free	0808 234 7860	International	+61 2 8823 6760

An audio replay of the conference call will be available approximately 2 hours after the call and will be accessible for two weeks by dialing one of the numbers below. When prompted please enter the conference code of: 69177616.

New Zealand Toll Free	0800 453 213	USA Toll Free	1855 452 5696
Australia Toll Free	1800 153 898	Hong Kong Toll Free	800 963 117
United Kingdom Toll Free	0808 234 0072	International	+61 2 8199 0299

About Fisher & Paykel Healthcare

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

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

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Income Statements

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

	Year Ended 31 March		
	2012	**2013**	**%**
Operating revenue	516,688	556,250	+8%
Cost of sales	(241,651)	(248,406)	+3%
Gross profit	275,037	307,844	+12%
Gross margin	*53.2%*	*55.3%*	
Other income	2,400	2,400	0%
Selling, general and administrative expenses	(142,644)	(151,791)	+6%
Research and development expenses	(41,988)	(45,720)	+9%
Total operating expenses	(184,632)	(197,511)	+7%
Operating profit before financing costs	92,805	112,733	+21%
Operating margin	*18.0%*	*20.3%*	
Financing income	280	189	-33%
Financing expense	(4,334)	(4,903)	+13%
Exchange gain on foreign currency borrowings	3,566	1,367	-62%
Net financing (expense)	(488)	(3,347)	+586%
Profit before tax	92,317	109,386	+18%
Tax expense	(28,207)	(32,333)	+15%
Profit after tax	64,110	77,053	+20%
Basic earnings per share	12.2 cps	14.3 cps	
Diluted earnings per share	11.7 cps	13.8 cps	
Weighted average basic shares outstanding	525,706,219	537,560,800	
Weighted average diluted shares outstanding	546,509,548	559,097,010	

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Operating Revenue
(In thousands of dollars)

Year Ended 31 March

	NZ dollars			US dollars		
	2012	**2013**	**% Change**	**2012**	**2013**	**% Change**
RAC products	271,036	301,503	+11.2%	218,805	245,544	+12.2%
OSA products	228,899	235,778	+3.0%	184,748	191,935	+3.9%
Core products sub-total	499,935	537,281	+7.5%	403,553	437,479	+8.4%
Distributed and other products	16,753	18,969	+13.2%	13,517	15,420	+14.1%
Total	$516,688	$556,250	+7.7%	$417,070	$452,899	+8.6%

	NZ dollars			US dollars		
	2012	**2013**	**% Change**	**2012**	**2013**	**% Change**
North America	230,563	241,123	+4.6%	186,137	196,323	+5.5%
Europe	170,355	181,422	+6.5%	137,538	147,718	+7.4%
Asia Pacific	92,981	106,637	+14.7%	75,031	86,824	+15.7%
Other	22,789	27,068	+18.8%	18,364	22,034	+20.0%
Total	$516,688	$556,250	+7.7%	$417,070	$452,899	+8.6%

Condensed Balance Sheets
(In thousands of NZ dollars)

	As at 31 March	
	2012	**2013**
Cash and cash equivalents	6,253	7,709
Trade and other receivables	77,130	81,560
Inventories	84,430	89,111
Other current assets	27,218	36,777
Total current assets	195,031	215,157
Property, plant and equipment	311,631	346,716
Other assets	65,392	56,724
Total assets	572,054	618,597
Current liabilities	150,623	91,068
Non-current liabilities	73,279	155,298
Shareholders' equity	348,152	372,231
Total liabilities and shareholders' equity	572,054	618,597

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

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

	Year Ended 31 March	
	2012	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	503,975	537,230
Receipts from derivative financial instruments monetised	24,264	-
Interest received	272	186
Payments to suppliers and employees	(405,898)	(420,596)
Taxation paid	(24,427)	(25,517)
Interest paid	(4,303)	(4,866)
Net cash flow from operations	93,883	86,437
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Net purchase of property, plant and equipment	(64,878)	(58,487)
Purchase of intangible assets	(2,597)	(3,489)
Net cash flow (used in) investing activities	(67,475)	(61,976)
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Employee share purchase schemes	563	555
Net issue (repurchase) of share capital	23,758	26,067
Borrowings, net	21,328	17,992
Dividends paid	(70,201)	(71,067)
Net cash flow (used in) financing activities	(24,552)	(26,453)
Net increase (decrease) in cash	1,856	(1,992)
Opening cash	(11,000)	(8,405)
Effect of foreign exchange rates	739	970
Closing cash	(8,405)	(9,427)
RECONCILIATION OF CLOSING CASH		
Cash and cash equivalents	6,253	7,709
Bank overdrafts	(14,658)	(17,136)
Closing cash	(8,405)	(9,427)

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Income Statements

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

	Year Ended 31 March		
	2012	**2013**	**% Change**
Operating revenue	417,070	452,899	+9%
Cost of sales	(195,061)	(202,252)	+4%
Gross profit	222,009	250,647	+13%
Gross margin	*53.2%*	*55.3%*	
Other income	1,937	1,954	+1%
Selling, general and administrative expenses	(115,140)	(123,588)	+7%
Research and development expenses	(33,893)	(37,225)	+10%
Total operating expenses	(149,033)	(160,813)	+8%
Operating profit before financing costs	74,913	91,788	+23%
Operating margin	*18.0%*	*20.3%*	
Financing income	226	154	-32%
Financing expense	(3,498)	(3,992)	+14%
Exchange gain on foreign currency borrowings	2,878	1,113	-61%
Net financing (expense)	(394)	(2,725)	+592%
Profit before tax	74,519	89,063	+20%
Tax expense	(22,769)	(26,326)	+16%
Profit after tax	51,750	62,737	+21%
Basic earnings per share	9.8 cps	11.7 cps	
Diluted earnings per share	9.5 cps	11.2 cps	
Weighted average basic shares outstanding	525,706,219	537,560,800	
Weighted average diluted shares outstanding	546,509,548	559,097,010	

Full Year Results Commentary

Net profit after tax was NZ$77.1 million for the year ended 31 March 2013, an increase of 20% compared to the prior year's NZ$64.1 million. In constant currency, operating profit increased *52%*.[1] The increase in the full year net profit after tax reflects revenue growth, gross margin expansion, disciplined control of expenses and other operational efficiencies.

Operating revenue was a record NZ$556.3 million, 8% above the prior year, or *11%* in constant currency. The company's respiratory and acute care product group (RAC) operating revenue increased by *15*% and obstructive sleep apnea (OSA) product group revenue increased by *6*% over the prior year, in constant currency.

For the second half, net profit after tax grew by 22% to NZ$43.8 million and operating revenue grew 9% to NZ$289.3 million. In constant currency, second half operating revenue increased by *14*% and operating profit increased by *56*%, primarily as a result of revenue growth, improved gross margins and operating efficiencies.

Respiratory and acute care product group (RAC) operating revenue grew *18*% and Obstructive Sleep Apnea product group (OSA) operating revenue grew *10*% in constant currency, compared to the prior year second half.

Strong growth in the RAC product group was driven by increasing acceptance of products which are used in applications outside of intensive care ventilation, including non-invasive ventilation, oxygen therapy and humidity therapy. Consumables revenue from those new applications increased *38*% in the second half, in constant currency.

OSA mask constant currency revenue grew *16*% in the second half, reflecting the introduction of the Pilairo nasal pillows and Eson nasal masks. Total flow generator revenue growth improved to *3*% in constant currency for the second half. Excluding the legacy SleepStyle flow generator range, constant currency flow generator revenue growth was *12*%.

The Company's financial statements for the year ended 31 March 2013 and the comparative financial information for the year ended 31 March 2012 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), Interpretations and other applicable FRS.

The directors have approved a final dividend of NZD 7.0 cents per ordinary share carrying a full imputation credit of 2.7222 cents per share. Eligible non-resident shareholders will receive a supplementary dividend of NZD 1.2353 cents per share. The final dividend will be paid on 5 July 2013, with a record date of 21 June 2013 and an ex-dividend date of 17 June 2013 for the ASX and 19 June 2013 for the NZSX.

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

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

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

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[1] For clarity, all references to constant currency amounts or percentages are stated in italics.

The directors have maintained the dividend payment for the year at 12.4 cps which equates to 87% of net profit after tax.

Financial Performance

The following table sets out the consolidated statement of financial performance for the years ended 31 March 2012 and 2013 in New Zealand dollars:

	Year ended 31 March	
	2012 NZ$000's	**2013 NZ$000's**
Operating revenue	**516,688**	**556,250**
Cost of sales	241,651	248,406
Gross profit	275,037	307,844
Gross margin	**53.2%**	**55.3%**
Other income	2,400	2,400
Selling, general and administrative expenses	142,644	151,791
Research and development expenses	41,988	45,720
Total operating expenses	184,632	197,511
Operating profit before financing costs	**92,805**	**112,733**
Operating margin	**18.0%**	**20.3%**
Net financing expense	488	3,347
Profit before tax	**92,317**	**109,386**
Tax expense	28,207	32,333
Profit after tax	**64,110**	**77,053**

Foreign Exchange Effects

The company is exposed to movements in foreign exchange rates, with approximately 50% of operating revenue generated in US dollars, 23% in Euros, 6% in Australian dollars, 5% in Japanese yen, 4% in British pounds, 4% in Canadian dollars, 2% in New Zealand dollars and 6% in other currencies.

As the number of direct sales operations increases, an increasing proportion of the company's revenue is generated in local currencies, reducing operating revenue exposure to the US dollar. In the current year the proportion of revenue which was generated in US dollars has reduced from 52% to 50%. The company's cost base is also becoming more diverse, as manufacturing output from Mexico has increased to 23% of consumables output.

By historical standards the New Zealand dollar remained elevated against most of the currencies in which the company receives revenue, in particular against the Euro and Japanese yen when compared to last year. Foreign exchange hedging gains contributed NZ$48.5 million (2012: NZ$49.5 million) to operating profit.

The average daily spot rate and the average effective exchange rate (i.e. the accounting rate, incorporating the benefit of forward exchange contracts entered into by the company in respect of the relevant financial year) of the main foreign currency exposures for the years ended 31 March 2012 and 2013 are set out in the table below:

	Average Daily Spot Rate		**Average Effective Exchange Rate**	
	Year ended 31 March		**Year ended 31 March**	
	2012	**2013**	**2012**	**2013**
USD	0.8072	0.8142	0.6641	0.6801
EUR	0.5864	0.6324	0.4823	0.5077

The effect of balance sheet translations of offshore assets and liabilities for the year ended 31 March 2013 resulted in a reduction in operating revenue of NZ$2.7 million (2012: NZ$4.3 million) and a reduction in operating profit of NZ$2.8 million (2012: NZ$5.1 million).

Constant Currency Analysis

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

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

Constant Currency Income Statements (Unaudited)	**Year ended 31 March 2011**	**Year ended 31 March 2012**	**Variation 2011 to 2012**	**Year ended 31 March 2013**	**Variation 2012 to 2013**
	NZ$000	**NZ$000**	**%**	**NZ$000**	**%**
Operating revenue	***431,787***	***466,992***	***+8***	***518,999***	***+11***
Cost of sales	*222,962*	*237,850*	*+7*	*248,569*	*+5*
Gross profit	*208,825*	*229,142*	*+10*	*270,430*	*+18*
Other income	*1,200*	*2,400*	*+100*	*2,400*	*-*
Selling, general and administrative expenses	*135,360*	*141,870*	*+5*	*154,684*	*+9*
Research & development expenses	*39,277*	*41,988*	*+7*	*45,720*	*+9*
Total operating expenses	*174,637*	*183,858*	*+5*	*200,404*	*+9*
Operating profit	***35,388***	***47,684***	***+35***	***72,426***	***+52***
Financing expenses (net)	*5,266*	*4,019*	*-24*	*4,757*	*+18*
Profit before tax	***30,122***	***43,665***	***+45***	***67,669***	***+55***

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

In constant currency, operating revenue increased by *11%* and operating profit increased by *52%* for the year, due to positive contributions from Mexico manufacturing, operating leverage generated from disciplined expense control, other logistics benefits and from direct sales operations established over the past few years.

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

Reconciliation of Constant Currency to Actual Income Statements (Unaudited)	**Year ended 31 March**		
	2011	**2012**	**2013**
	NZ$000	**NZ$000**	**NZ$000**
Profit before tax (constant currency)	***30,122***	***43,665***	***67,669***
Spot exchange rate effect	25,281	712	(5,353)
Foreign exchange hedging result	38,397	49,542	48,534
Balance sheet revaluation	(986)	(1,602)	(1,464)
Profit before tax (as reported)	**92,814**	**92,317**	**109,386**

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 2013 with the prior year:

- the movement in average daily spot exchange rates had an adverse impact of $6.1m; and
- the benefit from the company's foreign exchange hedging activities, while very substantial, was lower by $1.0m.

Overall, the net adverse effect of movements in exchange rates and the hedging programme was $6.9m, including the impact of balance sheet revaluations.

Operating revenue

Operating revenue increased by 8% to NZ$556.3 million for the year ended 31 March 2013 from NZ$516.7 million for the year ended 31 March 2012, principally due to increased sales volume from our core products.

The following table sets out operating revenue by product group for the years ended 31 March 2012 and 2013:

	Year ended 31 March	
	2012	**2013**
	NZ$000's	**NZ$000's**
RAC products	271,036	301,503
OSA products	228,899	235,778
Core products sub-total	499,935	537,281
Distributed and other products	16,753	18,969
Total	**$516,688**	**$556,250**

Underlying growth in demand for respiratory humidification systems was strong throughout the year. This resulted in total operating revenue of NZ$301.5 million for the respiratory and acute care product group, being growth of 11% in NZ dollars, and *15%* in constant currency, compared with the corresponding period last year.

Expansion of the application of products and technologies to the care of patients beyond the company's traditional invasive ventilation market continued, with an increasing proportion of consumables revenue coming from devices used in non-invasive ventilation, oxygen therapy, humidity therapy and surgery. Constant currency revenue for these new applications grew *29%* for the year ended 31 March 2013 and in total represented 37% of respiratory and acute care consumables revenue.

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

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

OSA product group operating revenue increased 3% to NZ$235.8 million, and *6%* in constant currency for the year. Constant currency mask revenue grew *10%* for the year, and increased *16%* in the second half as the new Pilairo and Eson masks gained market share. Total flow generator revenue growth improved to *3%* in constant currency for the second half. Excluding the legacy SleepStyle flow generator range, second half constant currency flow generator revenue growth was *12%*.

Sales of respiratory and acute care products represented 52% and 54% of operating revenue for the years ended 31 March 2012 and 2013 respectively. Sales of OSA products represented 44% and 42% of operating revenue for the years ended 31 March 2012 and 2013 respectively. Sales of consumable and accessory products for core products accounted for approximately 74% and 76% of operating revenue for the years ended 31 March 2012 and 2013 respectively.

The following table sets out operating revenue for each of our regional markets for the year ended 31 March 2012 and 2013:

	Year ended 31 March	
	2012	**2013**
	NZ$000's	**NZ$000's**
North America	230,563	241,123
Europe	170,355	181,422
Asia Pacific	92,981	106,637
Other	22,789	27,068
Total	**$516,688**	**$556,250**

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

Expenses

Research and development activities are primarily conducted in New Zealand. Research and development expenses totalled NZ$45.7 million for the year ended 31 March 2013 compared to NZ$42.0 million in the prior year. The increase was attributable to increases in research and development personnel and costs in connection with the continuing expansion of product and process development activities for the respiratory and acute care and OSA product groups. A number of new products have recently been released to the market, with more to follow during the 2014 financial year. Research and development expenses represented 8.2% of operating revenue for the year ended 31 March 2013.

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

Selling, general and administrative expenses increased by 6% to NZ$151.8 million for the year ended 31 March 2013 compared to NZ$142.6 million in the prior year. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities, which included the opening of a direct sales office in South Korea. In constant currency selling, general and administrative expenses have increased by *9%* for the year ended 31 March 2013.

Gross Profit

Gross profit increased to NZ$307.8 million, or 55.3% of operating revenue, for the year ended 31 March 2013 from NZ$275.0 million, or 53.2% of operating revenue, in the year ended 31 March 2012. Constant currency gross margin percentage increased due to a number of factors, including positive RAC and OSA product mixes, logistics and manufacturing improvements, including the contribution from our Mexico manufacturing facility.

Operating profit

Operating profit increased by 21% to NZ$112.7 million for the year ended 31 March 2013 from NZ$92.8 million for the year ended 31 March 2012.

In constant currency, operating profit increased by *52%.*

Balance Sheet

Gearing[2] at 31 March 2013 was 27.9%, higher than the 26.4% gearing at 31 March 2012, however lower than the 31.5% at 30 September 2012. The increase in gearing relates to the increase in capital expenditure in relation to the construction of the third building on the company's Auckland site. Capital expenditure in relation to the new building is now complete and gearing is expected to track towards our target range over coming years.

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

Funding

The company had total available committed debt funding of $192 million as at 31 March 2013, of which approximately $64 million was undrawn, and cash on hand of $8 million. Bank debt facilities provide all available funding given the modest level of requirements. Over the next 12 months no debt facilities will mature. As at 31 March 2013, the weighted average maturity of borrowing facilities is 2.8 years.

Debt maturity

The average maturity of the debt of $117 million was 2.1 years and the currency split was 68% New Zealand dollars; 15% US dollars; 12% Euros; 3% Australian dollars and 2% Canadian dollars.

Interest rates

Approximately 72% of all borrowings were at fixed interest rates with an average duration of 4.7 years and an average rate of 5.6%. Inclusive of floating rate borrowings the average interest rate on the debt is currently 4.7%. All interest rates are inclusive of margins but not fees.

Interest coverage for the period was 19 times and the group remains in a sound financial position.

The interest coverage for the period included interest capitalised to the new building project of $2.7 million for the period compared to $2.2 million for last year.

Cashflow

Cashflow from operations was $86.4 million compared with $93.9 million for the year ended 31 March 2012. The reduction was mainly related to the monetisation of USD forward exchange contracts in the first half of the 2012 financial year. Underlying cashflow from operations was positive and broadly in line with the operating profit improvement.

Capital expenditure for the period was $62.0 million compared with $67.5 million in the prior year. Of this total, $33.6 million was for the Paykel building project on our East Tamaki, Auckland site, and the balance related predominantly to new product tooling and manufacturing equipment.

Dividend

The directors have approved a final dividend for the financial year ended 31 March 2013 of NZ7.0 cents per ordinary share (2012: NZ7.0 cents), and will be fully imputed at a rate of 28%.

The final dividend will be paid on 5 July 2013, with a record date of 21 June 2013 and an ex-dividend date of 17 June 2013 for the ASX and 19 June 2013 for the NZSX.

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

Dividend reinvestment plan

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

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

Financial highlights

Unaudited	**Year ended 31 March**	
	2012	**2013**
Pre-tax return on average shareholders' equity (annualised)	27.9%	30.4%
Earnings per share (cents)	12.2	14.3
Dividends (interim plus final proposed) per share (cents)	12.4	12.4
Gearing	26.4%	27.9%
Interest cover (times)	34.7	18.6

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			
	2014	**2015**	**2016**	**2017**
USD % cover of expected exposure	71%	20%	0%	0%
USD average rate of cover	0.77	0.77	-	-
USD Close-out value to Income Statement (NZD000's)[3]	$21,291	$0	$0	$0
EUR % cover of expected exposure	80%	46%	6%	4%
EUR average rate of cover	0.47	0.43	0.39	0.36

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