News Release

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

FISHER & PAYKEL HEALTHCARE DELIVERS RECORD FULL YEAR RESULT, INCREASES DIVIDEND

Auckland, New Zealand, 29 May 2015 - Fisher & Paykel Healthcare Corporation Limited today reported record net profit after tax of NZ$113.2 million for the full year, an increase of 17% over the prior year.

Operating revenue was also a record, at NZ$672.3 million, 8% above the prior year or *13%* growth in constant currency. Operating profit increased by 19% to NZ$170.1 million. Constant currency operating profit grew a substantial *57%*.

The company, which provides respiratory and acute care (RAC) systems and products for the treatment of obstructive sleep apnea (OSA), indicated in November that it expected net profit after tax for the full year to be approximately NZ$105 million to NZ$110 million.

Chief Executive Officer Michael Daniell said “We have exceeded our earnings guidance provided in November as a result of robust revenue growth in both major product groups, a continuation of gross margin expansion and through operating leverage, and despite a $26.7 million reduction in foreign exchange hedging gains compared to the prior year.”

The company’s directors have approved an increased fully imputed final dividend of 8.0 cents per ordinary share, an increase of 14% on the previous year.

“We are pleased with our record results, which demonstrate the success of our consistent growth strategy. Our medical devices are designed to increase the effectiveness and efficiency of care and we estimate that our products were used in the treatment of more than 10 million patients during the year” said Mr Daniell.

Each of the company’s major product groups, RAC and OSA, reported record operating revenue and *14%* growth in constant currency. RAC product group revenue grew 9% to NZ$368.2 million and OSA product group revenue grew 8% to NZ$291.1 million.

The proportion of the company’s revenue generated from recurring items, such as consumables and accessories, continued to increase and accounted for 81% of core operating revenue.

“We are particularly encouraged by the continuing robust revenue growth, *26%* in constant currency, from products used in applications outside our traditional invasive ventilation market. Those products, which include our Optiflow and AIRVO systems, now account for almost half of our RAC consumables revenue.

“Last week a very positive clinical trial result was published in the New England Journal of Medicine. The randomised controlled trial, which included 310 patients and was conducted in 23 intensive care units in France and Belgium, found a significant reduction in mortality for acute hypoxemic respiratory failure patients treated with Optiflow nasal high flow therapy compared to standard oxygen therapy or noninvasive ventilation.

“Our range of masks used in the treatment of OSA continue to perform strongly. They have been a key contributor to the excellent growth in our OSA product group, with mask constant currency revenue up *22%* compared to the prior year,” commented Mr Daniell.

The increased final dividend of 8.0 cents per share, carrying full New Zealand imputation credit, will be paid on 10 July 2015. 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 2015 final dividend. The DRP will be offered without a discount in respect of the 2015 final dividend payment.

The company's directors have reviewed the company's gearing and dividend policies and have established a revised target debt to debt plus equity ratio in the range of +5% to -5% to support business growth and the operation of its foreign currency hedging policy. The company now expects that a dividend pay-out ratio of approximately 70% of net profit after tax will be appropriate to achieve and maintain that target gearing.

The company's ongoing improvement in gross margin resulted in a a *443* basis point increase, in constant currency, over the prior year, due to favourable product mix, logistics and manufacturing improvements and increased volume from its Mexico manufacturing facility.

Investment in research and development (R&D) increased and R&D expenses grew by 20% to NZ$65.0 million, representing 9.7% of operating revenue. "The recent release of our updated AIRVO flow generator system with new breathing tube technology, a new nasal cannula range and portable power supply is the first of a number of new products to be launched over the next 18 months," said Mr Daniell.

The company also outlined changes to its distribution arrangements for its hospital respiratory care products in the United States. From 19 July 2015, Fisher & Paykel Healthcare will assume direct responsibility for sales and support of its extensive portfolio of respiratory care products in the US.

"Following the recent acquisition of CareFusion by Becton Dickinson, we believe the time is right to move to direct responsibility for our US respiratory product sales, as we have previously successfully implemented in our other major markets. We have enjoyed a longstanding relationship with CareFusion and are now working with them to ensure a smooth transition for our customers," said Mr Daniell.

Fisher & Paykel Healthcare has established an expanded distribution centre in the US and is doubling the size of its US hospital sales and support team.

"The investment we will be making over the next six months will ensure that we have the resources in place to serve our hospital customers and to better promote the benefits of our innovative respiratory care products. We expect that the specialised sales representative focus on Fisher & Paykel Healthcare products will support an increase in revenue growth over time, particularly in non-invasive therapies such as Optiflow. An inventory sell down by our current distributors will have a temporary effect on RAC revenue growth in the first half", said Mr Daniell.

Outlook for FY2016

"We continue to focus on our strategy of continually improving our products, serving more patient groups, extending our range of products and growing our international presence. We believe that this strategy will continue to deliver robust revenue growth in the current year.

"At current exchange rates we expect full year operating revenue to be approximately NZ$750 million and net profit after tax to be approximately NZ$125 million to NZ$130 million," concluded Mr Daniell.

Result highlights:

- 17% growth in net profit after tax to a record NZ$113.2 million
- Operating profit increased by 19% to NZ$170.1 million, *57*% growth in constant currency
- Increase in the final dividend to 8.0 cps, an increase of 14%
- 8% growth in operating revenue to a record NZ$672.3 million, *13*% growth in constant currency.
- 9% growth in RAC operating revenue, *14*% in constant currency.
- New applications consumables operating revenue grew 26% in constant currency, accounting for 46% of RAC consumables revenue.
- 8% growth in OSA operating revenue, *14*% in constant currency.
- Strong performance from OSA masks, *22*% growth in constant currency.
- Gross margin improvement of 252 basis points for the full year, *443* bps in constant currency.
- Investment in R&D increased by 20% to NZ$65.0 million, representing 9.7% of operating revenue.

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

Contact: Marcus Driller, Investor Relations & Corporate Affairs Manager on +64 9 574 0110.

Full 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 2015 and the comparative financial information for the year ended 31 March 2014 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 comparative 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 2015 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 comparative 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.

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 2016 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.co.nz/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: **34898546**.

New Zealand Toll Free	0800 446 046	USA Toll Free	1800 742 9301
Australia Toll Free	1800 725 000	Hong Kong Toll Free	800 906 648
United Kingdom Toll Free	0808 234 1369	International	+61 2 8373 3610

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: **34898546**.

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 9003 4211

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Income Statements

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

	Year Ended 31 March		
	2014	**2015**	**%**
Operating revenue	623,447	672,348	+8%
Cost of sales	(258,049)	(261,369)	+1%
Gross profit	365,398	410,979	+12%
Gross margin	*58.6%*	*61.1%*	
Other income	3,700	5,000	+35%
Selling, general and administrative expenses	(171,453)	(180,909)	+6%
Research and development expenses	(54,146)	(64,987)	+20%
Total operating expenses	(225,599)	(245,896)	+9%
Operating profit before financing costs	143,499	170,083	+19%
Operating margin	*23.0%*	*25.3%*	
Financing income	57	144	+153%
Financing expense	(7,780)	(9,329)	+20%
Exchange gain (loss) on foreign currency borrowings	888	(2,132)	-340%
Net financing (expense)	(6,835)	(11,317)	+66%
Profit before tax	136,664	158,766	+16%
Tax expense	(39,611)	(45,593)	+15%
Profit after tax	97,053	113,173	+17%
Basic earnings per share	17.7 cps	20.4 cps	
Diluted earnings per share	17.1 cps	19.9 cps	
Weighted average basic shares outstanding	547,094,526	555,542,677	
Weighted average diluted shares outstanding	565,973,595	569,548,997	

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Operating Revenue
(In thousands of dollars)

Year Ended 31 March

	NZ dollars			US dollars		
	2014	2015	% Change	2014	2015	% Change
RAC products	336,851	368,162	+9.3%	276,529	298,111	+7.8%
OSA products	270,048	291,126	+7.8%	221,614	235,775	+6.4%
Core products sub-total	606,899	659,288	+8.6%	498,143	533,886	+7.2%
Distributed and other products	16,548	13,060	-21.1%	13,583	10,581	-22.1%
Total	$623,447	$672,348	+7.8%	$511,726	$544,467	+6.4%

	NZ dollars			US dollars		
	2014	2015	% Change	2014	2015	% Change
North America	261,620	290,692	+11.1%	214,665	235,402	+9.7%
Europe	211,861	223,403	+5.4%	174,001	180,914	+4.0%
Asia Pacific	118,869	127,240	+7.0%	97,563	103,038	+5.6%
Other	31,097	31,013	-0.3%	25,497	25,113	-1.5%
Total	$623,447	$672,348	+7.8%	$511,726	$544,467	+6.4%

Condensed Balance Sheets
(In thousands of NZ dollars)

	As at 31 March	
	2014	2015
Cash and cash equivalents	10,438	13,621
Trade and other receivables	93,363	107,416
Inventories	94,475	96,143
Other current assets	36,682	26,111
Total current assets	234,958	243,291
Property, plant and equipment	349,760	367,428
Other assets	45,607	59,097
Total assets	630,325	669,816
Current liabilities	128,790	117,114
Non-current liabilities	95,413	81,512
Shareholders' equity	406,122	471,190
Total liabilities and shareholders' equity	630,325	669,816

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

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

	Year Ended 31 March	
	2014	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	591,674	659,513
Grants received	3,105	4,750
Interest received	21	90
Payments to suppliers and employees	(455,114)	(467,300)
Taxation paid	(32,531)	(44,274)
Interest paid	(7,651)	(5,947)
Net cash flow from operations	99,504	146,832
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Net purchase of property, plant and equipment	(27,286)	(39,261)
Purchase of intangible assets	(4,574)	(14,314)
Net cash flow (used in) investing activities	(31,860)	(53,575)
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Employee share purchase schemes	299	529
Net issue of share capital	355	1,580
Borrowings, net	(22,062)	(45,207)
Dividends paid	(40,736)	(47,901)
Net cash flow (used in) financing activities	(62,144)	(90,999)
Net increase in cash	5,500	2,258
Opening cash	(9,427)	(3,761)
Effect of foreign exchange rates	166	970
Closing cash	(3,761)	(533)
RECONCILIATION OF CLOSING CASH		
Cash and cash equivalents	10,438	13,621
Bank overdrafts	(14,199)	(14,154)
Closing cash	(3,761)	(533)

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Income Statements

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

	Year Ended 31 March		
	2014	**2015**	**% Change**
Operating revenue	511,725	544,467	+6%
Cost of sales	(211,806)	(211,658)	0%
Gross profit	299,919	332,809	+11%
Gross margin	*58.6%*	*61.1%*	
Other income	3,037	4,049	+33%
Selling, general and administrative expenses	(140,729)	(146,500)	+4%
Research and development expenses	(44,443)	(52,626)	+18%
Total operating expenses	(185,172)	(199,126)	+8%
Operating profit before financing costs	117,784	137,732	+17%
Operating margin	*23.0%*	*25.3%*	
Financing income	47	117	+149%
Financing expense	(6,386)	(7,555)	+18%
Exchange gain (loss) on foreign currency borrowings	729	(1,726)	-337%
Net financing (expense)	(5,610)	(9,164)	+63%
Profit before tax	112,174	128,568	+15%
Tax expense	(32,513)	(36,921)	+14%
Profit after tax	79,661	91,647	+15%
Basic earnings per share	14.6 cps	16.5 cps	
Diluted earnings per share	14.1 cps	16.1 cps	
Weighted average basic shares outstanding	547,094,526	555,542,677	
Weighted average diluted shares outstanding	565,973,595	569,548,997	

Full Year Results Commentary

Net profit after tax was NZ$113.2 million for the year ended 31 March 2015, an increase of 17% compared to the prior year's NZ$97.1 million. In constant currency, operating profit increased *57%*.[1] The increase in the full year net profit after tax reflects strong revenue growth and further gross margin expansion, through a combination of favourable product mix, lower manufacturing cost and logistics improvements.

Operating revenue was a record NZ$672.3 million, 8% above the prior year, or *13%* in constant currency. The company's respiratory and acute care product group (RAC) operating revenue and obstructive sleep apnea (OSA) product group revenue each increased by *14%* over the prior year, in constant currency.

The company's financial statements for the year ended 31 March 2015 and the comparative financial information for the year ended 31 March 2014 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), Interpretations and other applicable FRS.

Second half results

For the second half, net profit after tax grew by 22% to NZ$64.3 million and operating revenue grew 11% to NZ$354.9 million. In constant currency, second half operating revenue increased by *14*% and operating profit increased by *52*%, primarily as a result of revenue growth, improved gross margins and operating efficiencies.

Respiratory and acute care product group (RAC) operating revenue grew *16%* and Obstructive Sleep Apnea product group (OSA) operating revenue grew *13%* in constant currency, compared to the prior year second half.

Strong growth in the RAC product group was primarily 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 *27%* in the second half, in constant currency.

OSA mask constant currency revenue grew *23%* in the second half, mainly reflecting growth of the Simplus full-face and Eson nasal masks.

Dividend

The company's debt to debt plus equity ratio of 10.3% is now within the previously established target range of 5% to 15%. The directors believe that it is now appropriate to increase the final dividend and continue the Dividend Reinvestment Plan (DRP) without discount.

The company's directors have reviewed the company's gearing and dividend policies and have established a revised target debt to debt plus equity ratio in the range of +5% to -5% to support business growth and operation of its foreign currency hedging policy. The company now expects that a dividend pay-out ratio of approximately 70% of net profit after tax will be appropriate to achieve and maintain that target gearing.

The directors have approved an increased final dividend of NZD 8.0 cents per ordinary share carrying a full imputation credit of 3.1111 cents per share. Eligible non-resident shareholders will receive a supplementary dividend of NZD 1.4118 cents per share. The final dividend will be paid on 10 July 2015, with a record date of 19 June 2015 and an ex-dividend date of 17 June 2015 for the NZSX and ASX.

The company offers eligible shareholders the opportunity to receive ordinary shares rather than cash under the DRP. Shareholders who have not yet elected to participate in the DRP will need to provide a Participation Notice to the Company's Share Registrar by 22 June 2015. No discount will apply to the DRP.

The total dividend payment for the year at 13.8 cps equates of 68% of net profit after tax.

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

Financial Performance

The following table sets out the consolidated statement of financial performance for the years ended 31 March 2014 and 2015 in New Zealand dollars:

	Year ended 31 March	
	2014 NZ$000's	**2015 NZ$000's**
Operating revenue	**623,447**	**672,348**
Cost of sales	258,049	261,369
Gross profit	365,398	410,979
Gross margin	**58.6%**	**61.1%**
Other income	3,700	5,000
Selling, general and administrative expenses	171,453	180,909
Research and development expenses	54,146	64,987
Total operating expenses	225,599	245,896
Operating profit before financing costs	**143,499**	**170,083**
Operating margin	**23.0%**	**25.3%**
Net financing expense	6,835	11,317
Profit before tax	**136,664**	**158,766**
Tax expense	39,611	45,593
Profit after tax	**97,053**	**113,173**

Foreign Exchange Effects

The company is exposed to movements in foreign exchange rates, with approximately 48% of operating revenue generated in US dollars, 24% in Euros, 6% in Australian dollars, 5% in Japanese yen and 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 remained at 48%. The company's cost base is also becoming more diverse, as manufacturing output from Mexico increased to approximately 30% of consumables output for the year.

By historical standards the New Zealand dollar remained elevated against most of the currencies in which the company receives revenue. Foreign exchange hedging gains contributed NZ$27.9 million (2014: NZ$54.6 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 2014 and 2015 are set out in the table below:

	Average Daily Spot Rate		**Average Effective Exchange Rate**	
	Year ended 31 March		**Year ended 31 March**	
	2014	**2015**	**2014**	**2015**
USD	0.8208	0.8098	0.6740	0.7896
EUR	0.6123	0.6394	0.4998	0.5259

The effect of balance sheet translations of offshore assets and liabilities for the year ended 31 March 2015 resulted in an increase in operating revenue of NZ$3.5 million (2014: a reduction of NZ$2.2 million) and an increase in operating profit of NZ$4.4 million (2014: a reduction of NZ$2.7 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 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 2015 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 comparative 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 2013 NZ$000**	**Year ended 31 March 2014 NZ$000**	**Variation 2013 to 2014 %**	**Year ended 31 March 2015 NZ$000**	**Variation 2014 to 2015 %**
Operating revenue	***487,568***	***552,954***	***+13***	***625,650***	***+13***
Cost of sales	*243,026*	*253,838*	*+4*	*259,520*	*+2*
Gross profit	*244,542*	*299,116*	*+22*	*366,130*	*+22*
Gross Margin	***50.2%***	***54.1%***	***+393bps***	***58.5%***	***+443bps***
Other income	*2,400*	*3,700*	*+54*	*5,000*	*+35*
Selling, general and administrative expenses	*146,013*	*166,850*	*+14*	*177,961*	*+7*
Research & development expenses	*45,720*	*54,146*	*+18*	*64,987*	*+20*
Total operating expenses	*191,733*	*220,996*	*+15*	*242,948*	*+10*
Operating profit	***55,209***	***81,820***	***+48***	***128,182***	***+57***
Operating margin	***11.3%***	***14.8%***	***+348bps***	***20.5%***	***+569bps***
Financing expenses (net)	*4,564*	*7,617*	*+67*	*9,118*	*+20*
Profit before tax	***50,645***	***74,203***	***+47***	***119,064***	***+60***

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2015, are USD 0.85, EUR 0.615, AUD 0.945, GBP 0.50, CAD 0.925, JPY 88 and MXN 11.0.

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	**Year ended 31 March**		
	2013	**2014**	**2015**
	NZ$000	**NZ$000**	**NZ$000**
Profit before tax (constant currency)	***50,645***	***74,203***	***119,064***
Spot exchange rate effect	11,671	9,711	9,552
Foreign exchange hedging result	48,534	54,584	27,893
Balance sheet revaluation	(1,464)	(1,834)	2,257
Profit before tax (as reported)	**109,386**	**136,664**	**158,766**

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 2015 with the prior year:

- the movement in average daily spot exchange rates had an unfavourable impact of NZ$0.2m; and
- the benefit from the company's foreign exchange hedging activities was lower by NZ$26.7m.
- Overall, the net adverse impact of movements in exchange rates and the hedging programme was NZ$22.8m, including the impact of balance sheet revaluations.

Operating revenue

Operating revenue increased by 8% to NZ$672.3 million for the year ended 31 March 2015 from NZ$623.4 million for the year ended 31 March 2014, principally due to increased sales of RAC new applications consumables and OSA masks.

The following table sets out operating revenue by product group for the years ended 31 March 2014 and 2015:

	Year ended 31 March	
	2014	**2015**
	NZ$000's	**NZ$000's**
RAC products	336,851	368,162
OSA products	270,048	291,126
Core products sub-total	606,899	659,288
Distributed and other products	16,548	13,060
Total	**623,447**	**672,348**

Underlying growth in demand for respiratory humidification systems was strong throughout the year. This resulted in total operating revenue of NZ$368.2 million for the respiratory and acute care product group, growth of 9% in NZ dollars, and *14%* in constant currency, compared with last year.

Growth in demand for products used in the care of patients beyond the company's traditional invasive ventilation market continued. Revenue from devices used in non-invasive ventilation, oxygen therapy, humidity therapy and surgery grew *26%* for the year ended 31 March 2015 and in total represented 47% of respiratory and acute care consumables revenue.

OSA product group operating revenue increased 8% to NZ$291.1 million, and *14%* in constant currency for the year.

Constant currency mask revenue grew *22%* for the year, as the Simplus full-face and Eson nasal masks continued to gain share.

Sales of respiratory and acute care products represented 54% and 55% of operating revenue for the years ended 31 March 2014 and 2015 respectively. Sales of OSA products represented 43% of operating revenue for the years ended 31 March 2014 and 2015. Sales of consumable and accessory products for core products accounted for approximately 79% and 81% of operating revenue for the years ended 31 March 2014 and 2015 respectively.

Regional revenue
The following table sets out operating revenue for each of our regional markets for the year ended 31 March 2014 and 2015:

	Year ended 31 March	
	2014 NZ$000's	**2015 NZ$000's**
North America	261,620	290,692
Europe	211,861	223,403
Asia Pacific	118,869	127,240
Other	31,097	31,013
Total	**623,447**	**672,348**

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

Gross Margin
Gross margin increased by *443bps* to be *58.5%* in constant currency terms compared to *54.1%* in the prior year. The key drivers of this increase included positive RAC and OSA product mixes, manufacturing improvements both in New Zealand and Mexico and logistics improvements.

Expenses
Total expenses increased by 9% to NZ$245.9 million or *10%* in constant currency which was significantly below constant currency revenue growth of *13%*.

SG&A constant currency expense growth was *7%* and R&D expense increased by 20% as the company continued to invest in a significant number of new product platforms.

Operating profit
Operating profit increased by 19% to NZ$170.1 million for the year ended 31 March 2015 from NZ$143.5 million for the year ended 31 March 2014.

In constant currency, operating profit increased by *57%.*

Balance Sheet
Gearing[2] at 31 March 2015 was 10.3%, compared to 21.0% at 31 March 2014. The decrease in gearing relates to the reduction in debt (net) as a result of profit growth, aided by substantial gross margin improvements, and improved shareholders' funds, as planned.

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

Funding

The company had total available committed debt funding of $195 million as at 31 March 2015, of which approximately $143 million was undrawn, and cash on hand of $14 million. Bank debt facilities provide all available funding given the modest level of requirements. Over the next 12 months a $40 million facility and a $20 million facility will mature. As at 31 March 2015, the weighted average maturity of borrowing facilities is 2.1 years.

Debt maturity

The average maturity of the debt of $51 million was 1.5 years and the currency split was 28% New Zealand dollars; 39% US dollars; 22% Euros; 7% Australian dollars and 4% Canadian dollars.

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. An amount of $3.5 million ($2.6 million after tax) was included in financing expense in relation to these de-designated hedges. At 31 March 2015 there are no hedge effective NZ dollar interest rate swaps.

Exclusive of ineffective NZ dollar interest rates swaps, approximately 59% of all borrowings were at fixed interest rates with an average duration of 4.6 years and an average rate of 3.4%. Inclusive of floating rate borrowings, the average interest rate on the debt is currently 3.7%. All interest rates are inclusive of margins but not fees.

Interest coverage for the period was 15 times and the group remains in a sound financial position.

Cashflow

Cashflow from operations was $146.8 million compared with $99.5 million for the year ended 31 March 2014. The increase was mainly related to improved profit performance through growth in revenue and significant improvement in gross margin and inventory cost improvements favourably impacting working capital.

Capital expenditure for the year was $53.6 million compared with $31.9 million in the prior year. The capital expenditure related predominantly to new product tooling and manufacturing equipment for increased capacity. The increase in capital expenditure for intangibles mainly related to implementation costs for our ERP project.

Financial ratios

Unaudited	**Year ended 31 March**	
	2014	**2015**
Pre-tax return on average shareholders' equity	35.1%	36.2%
Earnings per share (cents)	17.7	20.4
Dividends (interim plus approved final) per share (cents)	12.4	13.8
Gearing	21.0%	10.3%
Interest cover (times)	21.0	15.0

Foreign Exchange Hedging Position

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

Unaudited	**Year to 31 March**		
	2016	**2017**	**2018**
USD % cover of expected exposure	90%	46%	3%
USD average rate of cover	0.74	0.72	0.68
EUR % cover of expected exposure	92%	50%	0%
EUR average rate of cover	0.58	0.58	-