

**ADDRESS BY GARY PAYKEL, CNZM
CHAIRMAN
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
TO THE ANNUAL MEETING OF SHAREHOLDERS
19 AUGUST 2011**

Operating Performance

In the last financial year we achieved record operating revenue of NZ\$506 million. Both our obstructive sleep apnea and respiratory and acute care product groups generated strong sales growth in the fourth quarter, following the launch of our new ICON range, and due to strong demand for our respiratory consumables.

Our full year net profit after tax, and before non-recurring deferred tax charges, was NZ\$64 million, 11% below the prior year. That result reflected both the relative strength of the New Zealand dollar, and expenses relating to the establishment and expansion of manufacturing in Mexico.

Your directors approved a final dividend of seven cents per ordinary share, carrying full imputation credit, taking total dividends for the year to 12.4 cents per share.

Currency

Our foreign exchange hedging policy again served us well, with hedging gains contributing NZ\$38 million to operating profit last year.

Exchange rates continue to be very challenging and we are conducting a review, in conjunction with external advisors, of our approach to managing foreign exchange exposures to ensure that we maximise value for shareholders.

We are already implementing a range of strategies which will help us to compensate for the high value of the New Zealand dollar. These include; accelerating growth of capacity in our Mexico manufacturing facility, careful control of costs and an increasing proportion of our sales being made in currencies other than the US dollar.

Mike Daniell, our CEO, will discuss these strategies in more detail soon, as well as providing more commentary on our performance and our outlook for the current year.

We also have substantial hedging in place for the current year, and for the following two financial years. At current exchange rates that hedging will contribute more than \$100 million to our operating profit over the three years.

Research & Development, Operations

New and improved products and processes, along with the development of new applications for our technologies, are critical long term drivers of our revenue and earnings growth. We increased our investment in R&D by 11% last year and are in the process of introducing a number of important new products with more to come.

During the year we continued to expand our global sales network, with our own people now located in 32 countries and our products sold in more than 120 countries. More than 500 staff directly provide support to our customers around the world.

Our total capital expenditure was NZ\$43 million. Approximately \$38 million was invested in New Zealand. This included equipment for increased manufacturing capacity, new product tooling, replacement equipment and the construction of the third building on our Auckland site.

The ramp up of manufacturing of consumable products at our facility in Tijuana, Mexico has progressed very well. We invested another \$6 million of capital over the year to expand capacity and the range of products manufactured there. This took our total capital investment in Mexico to more than \$25 million.

Corporate Governance

We operate in specialised international markets and, as Chairman I believe that shareholder interests are well represented by your Board. We are fortunate in that we have a board whose experience and knowledge spans marketing, sales, finance, science, medicine, engineering, legal, quality, regulatory, and the many other demands of an international business.

Your Board is committed to ensuring that the company adheres to best practice corporate governance standards. A comprehensive summary of the company's governance policies is provided in the annual report.

People

The experience, capabilities and commitment of our more than 2,400 people worldwide ensures we are able to offer innovative medical devices, which can help to improve patient care and outcomes and enable us to deliver the long-term growth in value our shareholders expect.

The Board appreciates that our performance and our prospects for growth are due to the combined efforts of our staff and the support we receive from our customers, distributors, suppliers and clinical partners. On behalf of the board, I would like to thank them all for their contribution.

Board Changes

Last year I discussed our ongoing program of Board refreshment. My own involvement with the company spans more than 50 years, including almost 10 years as Chairman. With my 70th birthday approaching, I've decided to retire as Chairman of the Board on 31 March 2012, which is the end of the company's current financial year. However, I look forward to continuing to serve you as a director beyond that date.

I am proud to have been involved in the development and support of this business from its early inception, and it has been a privilege to lead the Board since I became Chairman in 2001. As you will see from the Notice of Meeting, I am standing for re-election at this shareholders' meeting. I would greatly appreciate your support.

I'm pleased to inform you that the Board has elected Tony Carter to succeed me as Chairman commencing on 1 April 2012. Tony joined the Board last year after retiring as Managing Director of Foodstuffs New Zealand. He has broad governance experience, as he is also a non-executive director of Vector, Fletcher Building and Air New Zealand. Tony originally trained as an engineer and has considerable experience in complex organisations. I'm delighted that Tony has agreed to take on the role of Chairman next year.

Conclusion

I would like to thank you, our shareholders, for your continued loyalty to the company. The Board and our management team value your support as we continue to focus on creating value for you in a challenging environment.

**ADDRESS BY MICHAEL DANIELL
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
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A copy of the slide presentation will be available on the company's website at www.fphcare.com

Introduction

Thank you Gary. Good afternoon ladies and gentlemen. I'm pleased to have the opportunity to review our results for the 2011 financial year, and to update you on progress so far this year.

Before doing so, I'd like to mention that we have a number of our staff here today who will be available later to discuss the products we have on display. They are wearing name badges, so you should be able to identify them easily.

Over the year, our consistent long term growth strategy; expand our range of innovative products, offer devices to treat a wider range of conditions, and increase our international presence - continued to result in an increasing number of healthcare providers choosing our devices to assist in the care of their patients, both in the hospital and home settings.

Underlying sales growth for the first part of last year was below our normal level, but growth accelerated strongly in the fourth quarter.

Financial Summary

Over the year, 54% of our operating revenue was generated in US dollars and 23% in Euros, with 99% of our sales made outside New Zealand.

Our operating revenue grew 9%, to US\$371 million, but due to exchange rate movements, just 1% to NZ\$506 million and we achieved an operating margin of 19%.

The proportion of our revenue generated from recurring items, such as consumables and accessories, continued to increase and accounted for 76% of core operating revenue.

Expanding Sales Operations

The geographic split of sales remained diverse, with revenue growing in each major geographic region. North America continues to be our biggest market, with a large proportion of our OSA sales made there.

We are very well represented in our international markets, and revenue from our new distribution and clinical sales support centres in Japan, Turkey, Taiwan and Hong Kong grew strongly.

Respiratory & Acute Care

Our heated humidifier and respiratory care systems play an important role in improving patient care in a variety of applications.

Warming and moistening of the gases delivered through mechanical ventilation helps to reproduce the normal functioning of the nose and upper airways and reduces airway moisture loss and the occurrence of adverse side effects.

New Applications

In the hospital setting, as well as heated humidification systems for use in intensive care ventilation, we are expanding our opportunities by also providing devices that can be used in non-invasive ventilation, oxygen therapy, humidity therapy and surgery.

Over the past year we achieved very encouraging progress, with revenue from those new applications growing 32% in US dollar terms and contributing 30% of our respiratory and acute care consumables operating revenue.

Obstructive Sleep Apnea

Tens of millions of people worldwide who have untreated obstructive sleep apnea, stop breathing for short periods many times each night while they are asleep.

Continuous positive airway pressure, or CPAP, therapy is the most common treatment for OSA. CPAP therapy prevents the collapse and blockage of the patient's airway during periods of deep sleep and is delivered using an airflow generator, humidifier, tubing and mask.

ICON Flow Generator Range

We completed the roll-out of our new ICON flow generator range late in the year, and were rewarded with very strong fourth quarter revenue growth from flow generators, 51% in US dollars or 42% in constant currency terms.

The ICON range integrates our leading technologies, including our unique SensAwake system, into stylish, compact and intelligent devices to deliver a better night's sleep for OSA patients.

The ICON range also includes our InfoSmart technologies, which will provide a full range of communication and compliance reporting options.

Research & Development

We have recently begun to introduce a number of exciting new products. These include new adult and infant breathing circuits, which incorporate the second generation of our unique Evaqua technology, a range of infant CPAP nasal masks, infant resuscitator consumables and the HumiGard surgical humidification system. We have also introduced the Airvo humidity therapy system into the USA.

Our InfoGSM modem for wireless reporting of patient compliance data is being introduced into Europe, with North America to follow once FDA clearance is received.

In addition, we have in development a number of other new products which are scheduled for introduction over the next twelve months.

We are particularly excited about the new mask ranges we have in development, for use both in OSA and respiratory applications. First up, is a new full face mask for non-invasive ventilation, which we are currently introducing into New Zealand and Australia. The first of several very novel OSA masks will follow later this year.

Outlook - Drivers

Exchange rate volatility continues to be extreme, with the New Zealand dollar well above its long term average value, particularly when compared to the US dollar and Euro. As a company with 99% of its sales in currencies other than the NZ dollar we are particularly affected by the strength of the NZ dollar. We are acutely conscious of the effect of the high NZ dollar on shareholder returns and we are endeavouring to address this in a number of ways.

- **Reduced Expense Growth**

Over the prior two years we made significant investments in expanding our operations, including Mexico manufacturing, new direct sales operations and increased R&D activity. We are now beginning to see the benefits of those investments, and expect to be able to manage expense growth to be well below the rate of underlying revenue growth for the year.

- **Accelerating Capacity Increase in Mexico**

Most of our growth in capacity for consumable items will be in our Mexico facility. We began manufacturing in Tijuana in April last year, and have been ramping up volumes as manufacturing equipment is installed and commissioned. As well as the benefit of geographic diversity, we are achieving the expected manufacturing cost savings, and the Mexico facility is beginning to contribute positively to operating margin.

Originally, we had planned to place about half of our high volume consumables capacity in Mexico within five years. We intend to accelerate that process, to achieve the expected 20 million dollars of annual savings sooner. Last year 5% of our consumables output was from Mexico. We expect to be producing at a rate of 20% of our consumables output by the end of this year, with capacity continuing to ramp up.

- **Lean Manufacturing, Increased Automation, Supply Chain Efficiencies**

Lean manufacturing projects and increased automation and other efficiencies are already delivering cost savings and we expect ongoing improvements. We are also continuing to implement supply chain efficiencies, including shipping an increasing proportion of our product by sea rather than air.

- **Currency Diversification**

As previously mentioned, over the past two years we have reduced our exposure to the US dollar by moving to direct sales and invoicing in local currencies in Canada, Japan, Turkey, Taiwan and Hong Kong. We now sell in local, non-US dollar currencies in 25 countries in total.

- **Foreign Exchange Hedging**

The ongoing dramatic volatility in exchange rates has demonstrated the value of our disciplined foreign exchange hedging policy. As Gary indicated, we do have substantial hedging in place for the current year, and also for the 2013 and 2014 financial years.

FY2012 Outlook

Growth in demand for our products has been encouraging so far this year, and we anticipate operating revenue growth of approximately 18% in US dollars, or better than 10% in constant currency terms for the first half.

The ICON range continues to drive very strong flow generator growth and market share gains. Mask growth continues to be modest, but we are looking forward to new mask introductions later in the year.

Demand for our respiratory and acute care products has also been strong, with the proportion of our revenue from products used in new applications continuing to increase.

Clearly the weak US dollar and strong NZ dollar has an impact on our margins, however the strategies outlined in the previous slide are helping to compensate.

Taking into account better than expected results from Mexico, efficiencies and a strong focus on cost control, we are now expecting constant currency net profit growth to be better than the 20% we forecast in May.

The NZ dollar is currently much stronger than when we provided earnings guidance in May, so we have updated the exchange rates used for our guidance range, as well as allowing for improved underlying operating performance.

For the half year ending 30 September, at current exchange rates, we expect operating revenue to be approximately NZ\$250 million and net profit after tax to be approximately NZ\$27 million.

Obviously the world is currently a very uncertain place however, based on an exchange rate range of 85 cents to 80 cents for the US dollar to the NZ dollar for the remainder of the financial year, we now expect full year operating revenue to be in the range of NZ\$515 million to NZ\$530 million and net profit after tax to be in the range of NZ\$60 million to NZ\$65 million. An improvement of \$3 million on the May guidance at 80 cents.

Conclusion

I would like to express our appreciation of the continued support of our Board and our shareholders, and also our customers, suppliers and clinical partners. Our teams around the world are working to reward that support.

Lastly, Gary, since this will be your last annual meeting as Chairman, I would like to say thank you on behalf of the team. Your support and guidance has been integral to our ongoing growth and development, right from our early days through to separation, and to becoming one of New Zealand's largest listed companies.

Thank you.