

**ADDRESS BY MR GARY PAYKEL  
CHAIRMAN  
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED  
TO THE ANNUAL SHAREHOLDER'S MEETING  
AUCKLAND  
AUGUST 9, 2002**

**Welcome**

Ladies and gentlemen. In the past year, we have heard the words “knowledge economy” used extensively by politicians, by business people and by academics.

The thinking, simply expressed, is that New Zealand’s economic performance can be markedly improved if we could increase our earnings from companies whose stock in trade is intellectual property. To us, this is very familiar thinking.

Fisher & Paykel Healthcare Corporation is a true knowledge-based business. The products we sell in over 90 countries are the result of many years of research and development. We invest about 5% of our revenues annually in research and development and 17% of our staff are engaged in exploring how our core technologies can be extended into new and profitable fields.

We are recognised as the leading designer, manufacturer and marketer of heated humidifiers for use in respiratory care and the treatment of obstructive sleep apnea.

These strengths have been inherent in our healthcare operations for more than 20 years. Now that we are a stand-alone company, they are better exposed to the investment community and shareholders can see more clearly where and how we create value.

This transparency was one of the important factors behind the decision made to separate the appliance and finance operations from our company. As our financial results illustrate, shareholders can now form a much clearer picture of how we are performing, where our growth has been achieved and where our future prospects lie.

Our profit from continuing operations for the twelve months ended 31 March, 2002 was \$62.3 million after tax. This result, which includes a foreign exchange currency gain of \$8.9 million after tax, underlines how we can deliver strong earnings in a very competitive global environment.

It was a year of growth in all of our core product groups. Full year operating revenues rose 7% in respiratory humidification, 25% in obstructive sleep apnea and 33% in neonatal care. Our total operating revenues for the year were \$214.6 million, 11% ahead of the prior year.

Return on shareholders' equity from continuing operations was a very healthy 36%.

This is an excellent performance, particularly given the market challenges faced during the year. In respiratory humidification, for example, we had two challenges -an unusually low influenza season and reduced demand from ventilator capital equipment manufacturers – yet we achieved growth. An important contributor was our increasing market share in breathing circuits, demonstrating once again that our technologies are market leaders.

In the OSA segment, the 25% growth we achieved in the year was driven by strong demand for our integrated flow generator-humidifiers and our nasal masks which were introduced during the year.

Our 33% growth in neonatal care and warming is also very encouraging. It's important to recognise that this market segment is tender driven and tends to have peaks and troughs. We believe that our new bubble CPAP technology for treating premature babies, will contribute to our future growth in this segment.

Our first quarter result, announced today, shows continued growth. Our profit after tax from continuing operations was \$30.4 million on revenues of \$50.9 million.

Our core products groups performed strongly. In US dollar terms we achieved revenue growth of 18% in the OSA segment, helped by the significant 45% volume growth achieved by our flow generators during the quarter. In addition, 4% growth was achieved in the respiratory humidification segment and 23% in neonatal and patient warming.

There is every cause for confidence in the company. Our core product groups are performing well and volumes are increasing. We are achieving an excellent return on shareholders' equity.

We continue to invest in research and development that improves our existing technologies and brings new technologies to market. Finally, we have sound risk management policies in place to help manage any strengthening of the New Zealand dollar.

The effectiveness of these policies was confirmed in both our full year and first quarter results.

We have in place a mix of foreign exchange contracts and call options covering periods of up to five years forward. Options give us the right, but not the obligation, to acquire cover at an agreed rate. This policy delivered us an after-tax foreign exchange gain of \$8.9 million in the year ended 31 March and a further \$17.5 million in the first quarter of the current year.

Although gains from foreign exchange risk management are welcome, for consistent and long-term earnings and growth we must look to our business strategy.

I described Fisher & Paykel Healthcare earlier as a knowledge-based company. Knowledge has always been the cornerstone of our business and it will always drive our growth.

This growth will be achieved through a continued focus on research and development and international expansion. Last year we invested \$10.3 million in research and development. This investment funded development of our existing products, the development of innovative new products in our core areas of expertise and it funded work to target new medical applications for our technologies. Mike Daniell, our CEO will discuss some of the new products brought to market as a result of this R&D and update you on their performance.

## **Outlook**

Our first quarter results demonstrate increasing growth, and looking forward we expect to see our growth rate increase again in the second quarter. For the full year our new products and the efforts of our worldwide team should drive total revenues to approximately 100 million US dollars.

## **Conclusion**

In closing, I would like to thank our management team for successfully balancing the demands of growing the businesses with those of completing the separation process and establishing relationships with the international financial community. I would also like to thank my fellow directors for their contribution to this successful transition and their ongoing commitment to good governance and the growth of the company.

The efforts of our worldwide staff, our clinical partners, our distributors and our suppliers along with the support of our customers are essential to our success and we value their continued support and commitment. We also value the support of our shareholders. We look forward to your continued confidence in us as we work to pursue the growth that will generate value for you.

It is now my pleasure to invite our CEO, Mike Daniell, to review progress in the first quarter of the 2003 financial year.