

News Release

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FISHER & PAYKEL HEALTHCARE ANNUAL SHAREHOLDERS' MEETING

Auckland, New Zealand, 7 August 2003 - Fisher & Paykel Healthcare Corporation Limited
(NZX:FPH. ASX:FPH)

**ADDRESS BY GARY PAYKEL CNZM
CHAIRMAN FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
TO THE ANNUAL MEETING OF SHAREHOLDERS
AUGUST 7, 2003**

When we met last year, I made the observation that our company is a true knowledge-based business, one of those that fits the model we hear talked about so often under the banner of "knowledge economy". You will be very familiar with this often-used term. The thinking behind it is that New Zealand's economic performance will lift markedly if we increase our earnings from companies who deal in the fruits of intellectual property and research.

Today I would like to talk about that theory in action. As our annual report observes, we have had a year of transforming ideas into earnings around the world. New products played an important role in our growth this year and our record profit from continuing operations of 72.9 million NZ dollars after tax. They contributed to the 17% increase, in US Dollar terms, in operating revenue from our core product range and to the increase in our profit.

The year saw twelve significant new products released into the market across our products groups. Our ability to grow our earnings with new products is a direct result of our investment in research and development, which this year amounted to 5.5% of revenue or 11.5 million NZ dollars.

This is ahead of last year's 10.3 million dollars and we consider this money very well spent. It not only led to the significant number of new products released in the year under review, but also has us in the fortunate position of having a substantial number of further new products under development for release in this financial year.

Their future potential, and continued demand for our established products in the respiratory humidification, obstructive sleep apnea and neonatal and patient warming markets, give us confidence in our prospects for continued revenue and earnings growth.

In other words, growth from new products is not a one-off event for our company. It is something we expect to see continuing into the future as our R&D teams develop new technologies and expand our product range.

As an example, the number of our US patents and outstanding US patent applications increased from 54 in 2002 to 85 in the 2003 financial year. The number of rest of world patents and patent applications rose from 198 to 234 – quite an achievement for our 130 strong research and development team.

I mentioned earlier that operating revenue for our core product range increased by 17% in US dollar terms over the prior year. Each of our product groups contributed to this growth. Our Obstructive Sleep Apnea revenue increased by 28% to 42 million US dollars. Respiratory humidification revenues rose by 12% to 51 million US dollars. Neonatal and patient warming revenues, which increased by 5% to 6 million US dollars, complete this growth story.

Our performance in the OSA product group was driven by strong sales growth of our integrated flow generator-humidifiers, constant positive airway pressure (or CPAP) humidifiers and masks in both the United States and other international markets.

Growth in the respiratory humidification group was driven by the rapidly increasing global acceptance of our sophisticated MR850 respiratory humidifier system and strong gains in market share by both our adult and neonatal breathing circuits. In the neonatal care group our new infant CPAP therapy system, introduced in the last financial year, performed strongly and has achieved very promising initial acceptance.

Our vision, which we laid out in the annual report this year, is to increase shareholder value by profitably designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes.

It is therefore very pleasing to stand before you today with the knowledge that we continue to achieve this goal. Our growth across all product groups enabled us to declare an

increased final dividend for the year of 27 cents per ordinary share, carrying full imputation credits. This compares with our 2002 final dividend of 25 cents per share.

Our basic earnings per share increased by 15 cents to 71 cents, with diluted earnings up 14 cents to 70 cents per share. Our pre-tax return on shareholders' equity from continuing operations was 58% compared with a very healthy 55% in the prior year.

It is important to note these achievements were made while the New Zealand dollar strengthened against our main trading currency, the US dollar, by 18% on average over the full year and 30% in the last quarter.

As a New Zealand export company, we will always be exposed to currency volatility, but our foreign exchange hedging activities are designed to mitigate this to a degree. In the year under review hedging contributed 23 million NZ dollars after tax in realised and unrealised gains to our overall profit.

This hedging, coupled with manufacturing efficiency gains and a favourable product mix, contributed to our excellent operating margin of 35.5% for the full year.

This was a year in which we also ensured that your company is able to cope with the demands of growth. Our Auckland manufacturing facilities have now grown by more than 6,000 square metres which gives us sufficient space to increase our manufacturing capacity by more than 50%. The 12.9 million dollar project was funded entirely from cashflows.

We also continued to invest in expanding our international sales force. There are growth opportunities around the world and our view is that these are best secured by having direct sales operations in strategic locations.

We already have direct sales coverage in the United States, Canada, the UK, France, Germany, Austria, Belgium, the Netherlands, Australia and New Zealand. And this year we have established direct sales in Italy and Spain, the remaining two largest markets in Europe. Results from these two additions are already ahead of our expectations.

In addition to expanding our European operations, we have added to our North American sales team and established a representative office in China to support our network of distributors there. Our office in China has turned out to be a timely move and we have

received orders worth several million dollars from China and other countries affected by the SARS virus. We're pleased to have been able to contribute to the response to the SARS threat.

Our CEO, Mike Daniell, will shortly take you through the operating highlights of the year and update you on our progress in the current year. He and our talented management team, our sales and marketing teams, our research and development group and all our manufacturing and operations staff have done a superb job this year in creating value for our shareholders. They have built on our excellent relationships with distributors, suppliers, our clinical partners and customers. As they are doing this, they are always thinking one step ahead to the next new product and opportunity. The Board appreciates their efforts and I know shareholders will join me in offering our thanks.

As a company we have made a commitment to you to use our skills and talent to increase shareholder value. You can have confidence in our ability to meet this commitment.

We have a proven record of turning ideas into successful healthcare products that we sell in more than 90 countries around the world. We have secured leading positions in the respiratory, OSA, neonatal care markets. Most importantly, we have a clear growth strategy and we have the knowledge, the manufacturing capacity and the global sales network to make that strategy a reality. We look forward to your continued support.

**ADDRESS BY MICHAEL DANIELL, CEO
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
TO THE ANNUAL MEETING OF SHAREHOLDERS
AUGUST 7 2003**

A copy of the slide presentation will be available on the company's website at www.fphcare.com

SLIDE 1

The financial year ended 31 March 2003 was again one of good growth for Fisher & Paykel Healthcare.

SLIDE 2

As Gary has already mentioned, our tax-paid profit from continuing operations was a record 72.9 million NZ dollars, a 17% increase over the prior year. Total operating revenue grew 15% to 103 million US dollars and core product revenue, which comes from the products we design and manufacture ourselves, increased 17% in US dollar terms. We achieved a very healthy operating margin of 35.5% for the year.

SLIDE 3

As you can see from this slide, the two major contributors to our revenue are our respiratory humidification product group, which accounted for 49% of sales, followed closely by our Obstructive Sleep Apnea product group at 41%. Neonatal and patient warming sales, which tend to fluctuate as this is a tender-driven part of the business, accounted for 6% of sales for the year, with distributed products contributing 4%.

SLIDE 4

Gary spoke earlier of strengthening our direct sales presence in Europe and in North America. This slide underlines the importance of that move. North America accounts for almost half our sales, with Europe contributing more than our sales in Australia, New Zealand, Asia and the remainder of the world combined. As Gary mentioned, we're very pleased with the results we've seen from our new direct sales operations in Italy and Spain.

SLIDE 5

OSA

Our products for the treatment of obstructive sleep apnea were the star performers of the year. Revenue from this product group rose 28% to reach 42 million US dollars and we saw strong volume growth in flow generators, masks and humidifiers over the prior year.

SLIDE 6

We see strong ongoing opportunities for growth. We believe that the OSA treatment market is growing at between 15% and 20% per year and we estimate it is worth about 700 million US dollars annually.

Increasing awareness of the condition is driving this growth. There is a growing body of clinical evidence that treating OSA can make a significant contribution to addressing related health issues, such as the risk of hypertension, stroke and heart disease. In addition multiple studies have shown marked improvements in quality of life following continuous positive airway pressure (or CPAP) treatment.

In July last year, Medicare in the United States increased reimbursement levels for heated humidification used in the treatment of OSA. This higher reimbursement has contributed to market growth and we see it as a significant endorsement of the improvement heated humidification can bring to patient compliance and acceptance of CPAP treatment.

SLIDE 7

As we noted in the annual report, we developed two new flow generators during the year. We introduced our HC220LE and HC210 series flow generators at the Associated Professional Sleep Societies meeting in Chicago in June, and they are now available in most of our world markets.

These incorporate the next generation of the quiet motor and fan technology we have developed in-house, and also our new *Ambient Tracking™ Plus* technology. This controls humidity output with changing room temperature and airflow, providing greater humidity and comfort for the patient with minimal condensation.

The HC210 flow generator, when first purchased, does not incorporate heated humidification. We believe that a significant proportion of patients currently start their CPAP treatment without heated humidity, and this product is aimed at that market.

SLIDE 8

However many patients experience dryness in their airways and want to move to a humidified treatment. Our design enables them to add humidity very easily with a simple three step process, our conversion kit contains a key, two chambers, a temperature control knob and operating instructions.

SLIDE 9

It's then just a matter of inserting the key, removing the hood and sliding in the temperature control and chamber. We think it's very elegant, so we'll leave that animation running for a moment, so you can watch it again.

Both the 220LE and the convertible give us the opportunity to open up a larger share of the OSA market. We also have plans to introduce a further two new models of flow generator later this year. The first of these will incorporate advanced humidification technology that we've been able to transfer from our clinical humidification systems. As always, our objective is to further improve patient comfort and compliance with their treatment.

Also in June this year, we received a health insurance reimbursement code in Germany for our HC221 integrated flow generator-humidifier. This is an important step as it enables our flow generator to be covered by medical insurance companies in Germany, a country which is generally considered to be the world's second largest market for OSA treatment devices. And we have already seen our flow generator sales begin to increase in Germany.

SLIDE 10

Also in the OSA segment, we have introduced a new version of our Aclaim nasal mask, incorporating our flexi-fit technology which can improve ease of fitting and comfort. And we have in the pipeline, three additional new masks which we plan to introduce over the next twelve months.

SLIDE 11

Respiratory Humidification

Respiratory humidification products revenue increased 12% to 51 million US dollars in the financial year ended 31 March 2003. This is our largest product group in terms of sales and it is by no means a mature market. We estimate it is currently worth approximately 300 million US dollars annually, and we see a number of opportunities to broaden our range of humidifiers and consumables and to extend the application of our technologies to help treat a wider range of medical conditions.

SLIDE 12

Our success in this market is driven primarily by our leading heated humidification technology and our ability to develop and market an increasing range of proprietary, and patented, breathing system consumables that provide improved performance and increased ease of use for our customers and their patients.

The MR850 respiratory humidifier system is our leading product in this market, a position achieved through its advanced technology. It incorporates our proprietary flow measuring technology and is designed to provide an easy to use optimal humidity system. Since its introduction it has been well accepted for use with adult patients requiring invasive or non-invasive respiratory support.

SLIDE 13

As our installed humidifier controller base expands internationally, demand for the consumables used with them is also rising. These include single use breathing circuits with their patented spiral wire technology, our sophisticated auto-filling single-use humidifier chamber and our expiratory filter. Each humidifier controller generates multiple

chamber and breathing circuit set-ups annually, creating ongoing and growing revenue. The introduction of our range of neonatal breathing circuits, which have recently received FDA clearance, means the MR850 system can now be used throughout the hospital, from new-borns to adults.

SLIDE 14

In breathing circuits we are seeing strong growth in our market share and we have introduced three new products into our breathing circuit range. The first two comprise a weaning kit that is used when the patient is being trained to breathe again after artificial ventilation and a flexible catheter mount that connects the breathing circuit to the patient's tracheal tube. Both will help with patient care and increase the value of the systems we offer.

The third product extends the range of patients we can treat, and is a specific breathing circuit for use with non-invasive ventilation, a rapidly growing segment of the respiratory care market. And in the pipeline we have some additional new breathing circuit technologies which we think will significantly improve breathing system performance.

The research project with our clinical partners at Middlemore Hospital, which is targeting breakthrough treatments for chronic obstructive pulmonary disease, (COPD) has made good progress and we expect to introduce a first generation system within the next 12-24 months.

SLIDE 15

Neonatal and Patient Warming

The neonatal and patient warming product group achieved growth of 5% during the year to reach 6 million US dollars. This tends to be a cyclical business with tenders being a common method of purchase for infant warmers.

Revenue growth from our infant CPAP and resuscitator systems was strong off a small base. Our infant bubble CPAP system, which is used to provide breathing support for newborn babies in intensive care, was introduced to most of our international markets during the year.

Bubble CPAP delivers low-pressure humidified gases via two small nasal tubes. A water bubbling system creates oscillating air pressure in the infant's lungs, which clinicians believe may improve gas exchange.

A study conducted at Cincinnati Children's Hospital has identified encouraging results with infant bubble CPAP therapy. It found it reduced delivery room intubations, days of mechanical ventilation and postnatal steroid use and was associated with increased postnatal weight gain with no increased complications.

Although this study was conducted using a piecemeal system, rather than our integrated system, we see it as valuable evidence that infant bubble CPAP improves patient outcomes more than traditional methods of breathing assistance.

Receiving FDA clearance for our neonatal breathing circuits means we can now introduce most of the components of our infant CPAP system into the United States as well.

SLIDE 16

Outlook

And now, to conclude, some comment on outlook.

We are now four months into the financial year and I am pleased to report we are expecting revenue growth for the first half of the year to be greater than the indication we gave in May. We now anticipate first half revenue will be up approximately 25%, in US dollar terms, over the same period last year, assisted by SARS related sales and currency translation. And we're still expecting operating margin percentage to be in the mid 30's range.

New products that we have released into the markets this year have been well received and we expect them to be useful contributors to revenue growth. Our R&D team continues to work on the development of new products and technologies and on improving those already in the market. This commitment to continuous improvement has been important to our growth and to our place as a leading company in the respiratory market.

We are very optimistic about our future and our prospects for growth. We have very capable people in all areas of the company, a supportive Board and excellent relationships with our customers, our suppliers, our distributors and our clinical partners. We have all appreciated your support and we look forward to your continued confidence.

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Further information can be obtained by contacting Michael Daniell on +64 9 574 0161 or Tony Barclay on +64 9 574 0119 at Fisher & Paykel Healthcare Corporation Limited or by visiting the company's website at www.fphcare.com