

**ADDRESS BY GARY PAYKEL, CNZM
CHAIRMAN
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
TO THE ANNUAL MEETING OF SHAREHOLDERS
24 AUGUST 2006**

In our annual report to you this year, we summed up our performance in four words – more patients, more places. That's a brief description of a very positive year for us, in which we made excellent progress in our goal to grow the business by serving a much broader range of patients and by extending our geographic reach.

In the hospital environment, we've moved beyond our traditional domain of intensive care, with our products now being used to treat patients with a broad range of respiratory conditions. In homecare, we are close to introducing a new system to help in the treatment of chronic obstructive pulmonary disease.

These opportunities, which offer considerable scope for growth, will be discussed further by Mike in his address.

Our trading revenue increased by 20% to 290 million New Zealand dollars. We achieved a record operating profit, up 16% to 104 million dollars. Profit after tax increased by 14% to 70 million dollars.

A very pleasing outcome was an increase in our final dividend to seven cents per share. In total, shareholders have received a dividend of 12.4 cents per share over the year, fully imputed. Dividends paid represented approximately 90% of our full year after tax profit, in line with our current policy. Total shareholder return for the year was 42%.

Our strong result came from new products performing well and from growth across all of our core product groups of respiratory humidification, obstructive sleep apnea and neonatal care.

We have a consistent track record of growth. Trading revenue from our core product groups has grown at a compound annual rate of 21% in US dollar terms over the past six years. This has been achieved through the introduction of a broad range of new products and our ability to expand our markets, reflecting the success of our strategy to treat more patients in more places.

Our products are now sold in more than 110 countries and increasingly, we are investing in expanding our presence "on the ground" in key markets. As in previous years, we continue to invest in expansion of our global sales network. Nothing really substitutes for being there - forming relationships, listening to customers, gaining their confidence and keeping our eyes open for growth opportunities.

With new products a vital driver of our annual revenue and earnings growth, we remain committed to investing in research and development. This investment is spread across all of our core product groups, enabling us to broaden our product portfolio and develop new clinical applications for our technology. The intellectual property from this investment is well protected, with the number of US and international patents we hold increasing each year.

We have invested for growth, with nearly 60 million dollars funding the construction of our new manufacturing, administrative and R&D facility which opened recently. This new facility, alongside our existing one, leaves us very well served with the manufacturing capacity we need to meet growing demand.

We have continued our share buy-back programme which was originally announced in March 2004. As we noted at the initiation of this programme, we believe repurchasing our shares is currently an appropriate use for surplus funds. In total, 5.8 million shares have been acquired at a cost of 15.3 million dollars and an average price of \$2.65 per share. We have 12.2 million dollars remaining of the original 27.5 million dollar share purchase amount.

As a company, we are confident about the future and our ability to continue to increase value for our shareholders. Our R&D teams, our manufacturing skills, our products and the experience we have in worldwide in marketing and sales are considerable strengths.

I know shareholders will join me in thanking our worldwide team for another excellent result this year. Their experience, knowledge and commitment make a very real difference to our ability to grow our markets and the value we create.

I would also 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 delivering superior returns for you.

**ADDRESS BY MICHAEL DANIELL
MANAGING DIRECTOR/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

SLIDE 1

Thank you, Gary. Good afternoon, ladies and gentlemen. It's again a pleasure to have the opportunity to discuss with you our results for the last year and to update you on progress so far this year.

Our growth strategy remains consistent and our results for the year again demonstrated the success of our strategy for increasing value for our shareholders while offering more and more devices which help to improve patient care and outcomes.

The four components of this strategy are: expanding our product range, increasing the value we add and earn per patient, developing and marketing products that serve new patient groups and finally, expanding our international presence to meet the needs of our many international markets.

As this graph of US dollar trading revenue over the past six years illustrates, our strategy has delivered increasing revenue growth, and we believe we have many opportunities to generate future growth.

SLIDE 2

Over the year, 65% of our trading revenue was generated in US dollars, with 98% of our sales resulting from exports from New Zealand.

Our operating revenue of 200 million US dollars was up by 23%.

And our operating profit was up 18% to 72 million US dollars despite a stronger NZ dollar compared to the prior year.

With the assistance of favourable foreign exchange hedging we achieved an excellent operating margin of almost 36% while investing 6% of trading revenue in research and development.

SLIDE 3

We generated good increases in revenue across all of our product groups, with particularly strong growth in the obstructive sleep apnea product group increasing its share of revenue to be almost equal to the respiratory humidification product group.

SLIDE 4

The geographic split of sales remained quite diverse with good revenue growth in each major geographic region. The North American proportion increased, up from 43% to 47% due very strong OSA growth.

SLIDE 5

We have continued to increase the number of people involved in international sales and marketing, and the number of locations where we have a presence. We are very well represented with our own people in our North American, European, Asia/Pacific, Middle Eastern and South American markets.

The foothold we have had in China since 2003 increased this year, thanks to an expanded sales team and our move to establish a distribution centre to serve our dealer network.

This year we are continuing to add to our sales teams to ensure that we can take full advantage of our opportunities for growth.

SLIDE 6

Turning now to our major product groups and their performance. Our OSA product range treats patients with obstructive sleep apnea, a disorder that frequently disrupts breathing during sleep. In addition to causing excessive daytime fatigue, OSA is associated with cardiovascular disease and strokes and is directly linked to hypertension.

Higher diagnosis rates and increasing awareness of the condition are contributing to strong annual growth and we expect the worldwide annual market for treatment devices to soon exceed 1.5 billion US dollars.

We offer an extensive range of flow generators and masks which deliver the continuous positive airway pressure, or CPAP therapy which is most commonly used to treat this disorder.

SLIDE 7

In our OSA product group, combined trading revenue from our expanding range of masks and flow generators grew more than 50% in US dollar terms. That was an important contributor to the 34% growth achieved in total revenue of 88 million US dollars.

SLIDE 8

Over the year we completed the worldwide introduction of our SleepStyle™ 200 series and 600 series flow generators.

The SleepStyle™ 600 series incorporates our proprietary ThermoSmart™ technology, which uses a heated breathing tube to provide optimal levels of humidity independent of external conditions.

We're receiving very positive reports of improved comfort and better treatment from patients using ThermoSmart™. We're very pleased that the US federal medical insurance program agreed, earlier this year, to provide specific reimbursement for our ThermoSmart™ tube.

We've added to our range of masks, with the introduction of the FlexiFit™ 406 Petite nasal mask, also with favourable acceptance from customers. And over the next six months we expect to be announcing the introduction of two new masks.

Our growing population of users now have the option of web-based support and follow-up via our recently introduced Vigor8 program. This provides access, via the internet, to support material such as mask fitting videos, and can provide reminders when masks and other consumables are due for replacement.

SLIDE 9

Moving on now to respiratory humidification. Our heated humidification technology improves patient care in the treatment of a variety of medical conditions which interfere with normal respiration. And in this product group, we reported another year of strong growth.

SLIDE 10

Trading revenue increased 14% to 90 million US dollars.

This growth was generated primarily by ongoing market share gains by our humidifier controllers which in turn drove rapid growth both in adult and neonatal breathing circuits.

Demand for our *Evaqua*® breathing circuits, which incorporate a membrane which allows water vapour passing through the expiratory tube to escape, continues to be very strong. We are investing in increased manufacturing capacity to meet the rapidly growing demand.

Our hospital distribution partner in the United States, Cardinal, has recently concluded a supply agreement with Broadlane, a group purchasing organisation which represents approximately 1200 hospitals. As a result of this contract, we are expecting many Broadlane hospitals will move from a competitor's humidifier to our MR850 humidifier system over the next six to twelve months.

SLIDE 11

Earlier this year we announced the introduction of a broad range of new respiratory interfaces. These devices, along with several new humidifier controllers, are an important part of our strategy to both increase the value we offer for each patient and to increase the number of patients we can assist.

The new interfaces support our move to expand from invasive ventilation in the intensive care unit, to non-invasive ventilation, oxygen therapy and humidity therapy.

Non-invasive ventilation, where the patient interface is a mask rather than a tube placed down the airway, is being increasingly used to ventilate patients following cardio-thoracic surgery and for patients with less critical respiratory conditions. We

see an opportunity to utilise our popular OSA mask technology for the benefit of this new group of patients. In addition, we have an opportunity to introduce the benefits of optimal levels of humidity into the non-invasive ventilation market.

We believe we can take a step further away from intensive care ventilation and also assist patients who require high flow oxygen therapy, enhanced by optimal levels of humidity.

Outside of the respiratory care arena, our humidity therapy system shows promise as a means of helping patients whose salivary glands have been damaged by chemo or radiation therapy.

We're also seeing good results from our pilot marketing in New Zealand and Australia of an innovative humidification system for use in laparoscopic surgery. And finally, we expect to be announcing, later this year, the introduction of a new system to be used in the treatment of Chronic Obstructive Pulmonary disease, or COPD.

Overall, we see opportunities, over time, to more than double, or possibly even triple the number patients we can serve with our technology.

SLIDE 12

Expanding applications of our technologies and our broader product range were both important contributors to growth in our neonatal care product group.

Neonatal breathing systems, which include our infant CPAP system and resuscitator, helped generate a 24% increase in trading revenue to 16 million US dollars.

We recently began the international introduction of a range of new resuscitation masks and a range of nasal oxygen therapy interfaces, which will help us serve an increasing number of newborn babies.

SLIDE 13

As Gary mentioned, we have recently moved into a second building on our East Tamaki site.

The new building, which you can see here, covers more than 23,000 square metres and, with the move of the OSA product group, has provided space for growth in manufacturing, operations and R&D capacity across the business.

SLIDE 14

We are continuing to invest in expanding our R&D and sales activities. We have in development an extensive new product pipeline, with a number of new product projects on track for introduction over the next twelve to eighteen months. These include additional masks, 'smart' flow generators for OSA treatment, our system for COPD and humidity therapy, and additional consumables.

SLIDE 15

Trading for the first four, now almost five, months of the 2007 financial year has been encouraging, with good revenue growth in each of our product groups. We expect to achieve constant currency first half trading revenue growth of approximately 20%, which translates to approximately 14% in US dollars or approximately 26% in New Zealand dollars.

For the first six months of our 2007 financial year we now estimate that the NZ:US exchange rate will average about 0.63. At that average rate, the earnings guidance and exchange rate sensitivity we provided in May implied a first half operating profit of approximately 42 to 43 million NZ dollars.

With revenue growing strongly and a favourable product gross margin mix, we are now expecting first half operating profit to be above that level, in the range of 44 to 45 million New Zealand dollars.

In conclusion, I'd 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 continue to work to reward that support.

Thank you.