

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
ANNUAL SHAREHOLDERS' MEETING
20 AUGUST 2014

ADDRESS BY TONY CARTER, CHAIRMAN

Introduction

Fisher & Paykel Healthcare is a world leader in our chosen field – innovative medical devices and systems for use in respiratory care and acute care and in the treatment of obstructive sleep apnea.

We estimate these markets have a potential annual size of more than five billion US dollars today, with the opportunity to assist in the treatment of more than 100 million patients every year.

In the past year, our products assisted in the care of more than 9 million patients and our revenue was more than 500 million US dollars.

However, this is still only a small percentage of the total potential available to us. We are totally focused on growing our share in these markets by building on our existing expertise and continuing to educate healthcare providers on the benefits that our products can provide.

This year represents 80 years since Fisher & Paykel was incorporated as a company in New Zealand. In 1934, two young friends, Woolf Fisher and Maurice Paykel, formed the company and commenced importing refrigerators and washing machines. F&P's involvement in healthcare started in the late 1960's when a healthcare prototype respiratory humidifier was developed in New Zealand for use with patients needing ventilation in hospital intensive care situations. This was then taken to production by F&P. Fisher & Paykel Healthcare separated from the Appliances business in 2001 and became an independent business listed on the NZX.

Forty five years after the prototype humidifier was developed, Fisher & Paykel Healthcare is a truly global business with many thousands of customers and millions of people using our products around the world. From our largest market of the United States, to some of the smallest countries, like Iceland, we are making a difference to the delivery of healthcare around the world.

A current trend which we are seeing in the global medical device space is the growing expenditure on healthcare in emerging markets.

Many emerging markets are improving funding and expanding healthcare infrastructure, translating into greater growth opportunities. A number of governments have made healthcare access a top priority and begun increasing the rate of hospital construction. This is the case in both China and Brazil, where there are also rapidly expanding private pay markets demanding access to high-end procedures.

We have dedicated teams in China, Brazil, and in many other emerging markets. We believe we are well positioned to achieve strong growth in these markets given the meaningful investments in sales, marketing and infrastructure we have made over the past 5 years.

The Opportunity

Our success is built on our ability to create and deliver innovative products which can improve patient care and outcomes.

We live in a world where healthcare costs are increasing at a rapid rate. In the United States, our biggest market, healthcare spend per person is over 8,500 US dollars per year. In New Zealand, it is about 3,100 US dollars per person per year.

Many countries have an aging population and increasingly successful healthcare practices are improving longevity. Most countries are grappling with the increasing burden of healthcare cost and the sector is looking for new and better ways to deliver efficient and effective solutions.

Fisher & Paykel Healthcare is well positioned to meet this need.

Effectiveness may be simply defined as helping patients get better quicker.

Efficiency is about caring for more patients without increasing the costs. The more intensive the care, the more staff required and the more costly the treatment.

Our products demonstrably improve patient care and outcomes.

Our respiratory and acute care products can help a patient transition more quickly from intensive care to a general ward and then into the home. Treatment in intensive care is much more costly than treatment in a general ward which in turn is more expensive than treating a patient in their home. Thus our products assist to reduce overall healthcare costs.

Our OSA products can be life changing and can help to reduce the likelihood that a patient will develop other critical conditions such as hypertension or heart attacks.

We can help patients with chronic respiratory diseases, who can manage their condition at home using our products.

Use of our heated humidification products during surgery can improve outcomes and assist in reducing the duration of a patient's recovery.

2014 Financial Snapshot

Our success in delivering products which enable more efficient and effective healthcare saw us deliver another year of strong revenue and profit growth in 2014.

Operating revenue of 623 million New Zealand dollars was a new record, with both our product groups delivering double digit growth.

Net profit after tax was also a record, at 97 million New Zealand dollars. This was despite the impact of a strong New Zealand dollar.

Dividend

We maintained the total dividend for the 2014 year at 12.4 cents per share carrying full imputation credit, which equated to 70% of net profit after tax. This compared to 87% of net profit last year.

An important part of our capital management is our Dividend Reinvestment Plan, which was offered for both the interim and final dividends. It was pleasing to note that shareholders holding 56% of the total number of eligible shares, participated in the DRP for the recent full year dividend. These shareholders chose to receive some or all of their dividend as shares, demonstrating their confidence in our long term strategy.

Our current policy is to maintain the current dividend level, subject to earnings performance, until such time as our target debt to debt plus equity ratio of 5% to 15% is achieved.

You can see from the graph that each year we are getting closer to that target ratio, which is currently sitting at 15.5%. The Board believes that is an appropriate ratio to ensure we have the capacity to continue to implement our foreign exchange hedging policy as we grow. Longer term, we expect that a dividend pay-out ratio of greater than 60% of net profit after tax will be

appropriate. Given that we are approaching the target level of gearing the Board will give consideration to increasing the dividend this financial year.

It has been gratifying to see shareholder and investor recognition of our strong performance, with the share price increasing by 37% since last year's annual meeting.

Our Team

During the year we were honoured to receive the prestigious Company of the Year award, at the 2013 Deloitte/Management Magazine Top 200 Awards. These awards are the pre-eminent New Zealand business awards and I would like to acknowledge everyone who works for Fisher & Paykel Healthcare and who have all contributed to us achieving this honour.

Our team are spread all over the world. We have almost 2,000 people based here in Auckland, and a further 1,000 located in 33 countries overseas. Our people are experts in their fields, they believe in doing what is best for the patient, and they do a superb job.

I would also like to specifically acknowledge our CEO, Mike Daniell, who was recognised as the Executive of the Year at the same awards in November last year. Mike has worked for the company for over 35 years and ably led the business for more than 23 years and the award is a testament to his dedication, expertise and leadership over this time.

Your Board

We have undertaken a significant refresh of the Board over the last five years, with four out of our seven directors appointed since 2009.

We have a Board that has a variety of skills across a range of disciplines including finance, research and development, law, sales, technology, medicine, marketing and manufacturing. I believe this varied skill set, together with the leadership and governance experience of your Board, will help ensure that we remain a leader in our field.

As you will see from the Notice of Meeting, I will be seeking your support for re-election at this shareholders' meeting. I thought it appropriate to make a few comments now in support of my re-election.

It has been a privilege to have been a member of the Fisher & Paykel Healthcare Board for almost four years and chairman since 2012 when Gary Paykel stepped down, leaving me with some big boots to fill.

While Fisher & Paykel Healthcare was already a global and well governed business, it has been an exciting four years since I joined the Board, as the company has grown operating revenue by an additional 100 million dollars and profit by 35 percent.

Our global workforce, our international footprint and our product portfolio has also grown over this time and there are few parts of the world where our products are not used to help improve the healthcare and treatment of patients.

Being a director requires a lot of responsibility, diligence, integrity and commercial acumen; and our goal as a Board is to achieve the best outcomes for our shareholders. We are continually testing our strategy to ensure we are on the right track for continued growth, monitoring risks and seeking solutions to any new challenges.

I believe that my experience, as managing director of Foodstuffs New Zealand for ten years, and my more recent experience over the past five years as director on the Board of some of New Zealand's finest companies, allows me to continue to contribute value to Fisher & Paykel Healthcare, and I ask for your support for my re-election later in this meeting.

Conclusion

With exciting new products under development and a continued focus and commitment to our strategy to increase the number of patients we can assist with our products, we are expecting another year of positive growth for Fisher & Paykel Healthcare.

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.

I would now like to pass you onto Mike, our Managing Director and CEO who will take you through the company's results in more detail, as well as provide more comment on trading to date this year and our current outlook for the 2015 financial year.

ADDRESS BY MICHAEL DANIELL, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Thank you Tony.

Continuous Product Improvement

Fisher & Paykel Healthcare is a business born of innovation and original thinking.

We are constantly exploring better ways of delivering real and substantial improvements in our chosen areas of healthcare; with unique, ground-breaking and world class products.

We are dedicated to developing and delivering innovations to our customers. The continuous development of new products and improvement of existing products, is one of the four strategic components which underpins our success.

We have a team of more than 400 engineers and scientists who work closely with clinical partners both locally and around the world. Our R&D teams are based in Auckland and last year we invested 54 million NZ dollars in R&D, which included the first full year of costs relating to the Paykel Building on our Auckland site. The building has been designed to ensure we have the capacity to accommodate increases in our R&D activity over the next few years.

We released a broad range of new products in the last year and we have a substantial pipeline in development, with a large number of exciting new products to be introduced over the next twelve to eighteen months.

Serving More Patients

When we introduced our first heated respiratory humidifier in the 1970's, we were focused on one segment of the healthcare market – the mechanical ventilation of adult patients in intensive care.

Over a number of years we increased our market share and extended the application of our humidifiers from adult care to neonatal care. In the mid 1990's we began to improve CPAP therapy with a humidifier used in the treatment of OSA.

We have continued this philosophy of identifying opportunities to help to improve care and outcomes for an increasing range of patients and conditions. Delivering healthcare solutions to serve a wider range of patient groups is another of our core strategies.

As Tony mentioned, in the last year, we estimate that 9 million patients were treated using our products, up by about a million on the previous year. A significant part of this growth in our patient numbers was in respiratory and acute care, where we have identified a number of new applications for our technologies.

Our traditional market has been invasive ventilation, where patients receive breathing support via a tube down their airway. However, over the past five years, we have seen a rapid increase in demand for our products in other applications, particularly in oxygen therapy, but also in non-invasive ventilation and during surgery.

In the home setting, as well as products for the treatment of OSA, we now offer systems that can assist in the treatment of chronic respiratory diseases.

The opportunities to grow our share of these new applications are significant, and we believe many tens of millions of patients could benefit annually.

More Products for Each Patient

We also identify opportunities where we can provide more of the products used in the care and treatment of each patient.

So, where once we only provided the humidifier for use in an intensive care setting, we now also provide the breathing tubes connecting the humidifier to the gas supply, the connectors and the mask or nasal cannula used to deliver breathing support to the patient.

Increasingly, we are delivering products that can be used across the continuum of care, from surgery to the intensive care unit, the general hospital ward and through to the home care setting.

Increase our International presence

While we were founded in New Zealand, the world is our opportunity and where we will grow and succeed.

Our products are sold in 123 countries and we have our own sales teams supporting customers in 34 countries as well as 200 distribution partnerships worldwide.

North America is our largest market, accounting for 42% of revenue last year. The next largest region is Europe at 34% and Asia Pacific, including New Zealand and Australia, at 19%.

We have achieved excellent results from our recently established sales operations in Japan and South Korea, and have also welcomed new employees in sales support roles in Colombia and Indonesia.

Sales, general and administrative expenses grew 13% during the year. We will continue to invest in our global sales team, however we expect SG&A expenses to grow below the rate of revenue growth in the current financial year, which will help to accommodate a reduction in hedging gains.

A Proven Strategy

The success we have achieved by focusing on these four strategic components:

- Continuous product improvement
- Serving more patient groups
- Providing more products for the treatment of each patient; and
- Expanding our international presence

is well proven and has helped us to deliver record operating revenue every year over the past decade, despite some challenging exchange rate headwinds.

2014 Financial Highlights

The 2014 financial year was another period of robust growth.

Operating revenue was up 12% year-on-year, with 12% growth in our respiratory and acute care product group and 15% growth in our obstructive sleep apnea product group. Net profit after tax increased by 26%.

Strong demand has continued into the new financial year, driven by growing acceptance by clinicians and healthcare providers of the solutions we provide.

Foreign Exchange

As 99% of our revenue is generated outside of New Zealand, our performance can be influenced by a very strong New Zealand dollar.

Over the past year we have continued the implementation of four key strategies to offset the impact: manufacturing a growing proportion of our consumable products at our Mexico facility, introduction of new, higher margin products, increasing operating efficiencies and foreign exchange hedging.

Once again, these strategies enabled us to generate record earnings as well as significant gross margin improvement. Coupled with strong underlying growth, we believe we are well positioned to continue to accommodate current exchange rates.

Constant currency growth

We review our financial results in constant currency each month, which allows us to monitor and assess the company's underlying performance against the prior year and budget, without the distortions arising from changes in exchange rates.

You can see the strength of our underlying performance, when we compare NZ dollar performance over the past three years to constant currency performance.

Respiratory and Acute Care (RAC)

Our two major product groups are Respiratory and Acute Care, and Obstructive Sleep Apnea.

Our heated humidifier and respiratory care systems play an important role in improving patient care and outcomes during treatment for a variety of medical conditions which interfere with normal respiration.

We saw strong customer demand for our Optiflow and AIRVO systems used in the delivery of oxygen therapy and nasal high flow therapy. Revenue from such non-traditional applications, in total generated 41% of our RAC consumables revenue

The possibilities for our AIRVO device are exciting, and this TV news item conveys some of the enthusiasm of two leading Australian clinicians.

*[7News Video – Breathing device to be trialled in Africa:
<http://www.youtube.com/watch?v=S4uOwxT2y3c>*

Obstructive Sleep Apnea (OSA)

Obstructive sleep apnea is a condition which causes people to stop breathing for short periods of time, many times each night while they are asleep.

The next video briefly outlines the effect that OSA can have on a person's life and, conversely, the huge benefits provided by CPAP treatment:

[Graham Lowe OSA video]

The best outcomes are achieved when the patient complies with on-going therapy. Our products are designed to be easy to fit, comfortable to wear and simple to use to encourage ongoing use.

Healthcare providers are also looking for products, such as ours, which allow them to set up and support their patients as efficiently as possible.

We successfully launched the Pilairo Q nasal pillows mask and Simplus full face mask last year, and our mask revenue grew 23% in constant currency, well above market growth.

We also launched ICON+, the next generation of our flow generator range. Again, this allows for a simplified user experience and features our smart clinical and compliance reporting technologies.

Outlook

Growth so far this year has continued to be robust and we expect first half constant currency operating revenue growth of approximately 14% and first half constant currency operating profit growth of approximately 60%.

At current exchange rates we expect operating revenue for the first half to be approximately 315 million NZ dollars and net profit after tax to be approximately 45 million NZ dollars.

The full year guidance we provided in May, based on an exchange range of 86 cents for the NZ dollar to the US dollar, was for operating revenue to be approximately 640 million NZ dollars and net profit after tax to be similar to FY2014, or approximately 97 million dollars.

If we now assume an NZ:US exchange rate of approximately 84 cents for the balance of the year, we expect full year operating revenue to be approximately 650 million NZ dollars and net profit after tax to be approximately 100 million NZ dollars.

Summary

In closing, I would like to thank our customers, clinical partners, suppliers and shareholders for their continued support of the company and to also acknowledge and thank our Board for their advice and encouragement during the year.

Most importantly, I would like to thank our worldwide teams. Our workforce grew by 9% last year and every one of these employees is an essential part of our ongoing success. They are committed to finding ways to make a real difference in the care of patients around the world and they deserve our appreciation.

Thank you.