ADDRESS BY GARY PAYKEL, CNZM
CHAIRMAN
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
TO THE ANNUAL MEETING OF SHAREHOLDERS
23 AUGUST 2007

At a time when many exporters from New Zealand have been under considerable pressure, it is pleasing to be able to report that your company, which earns almost all of its revenue internationally, achieved record trading revenue of 349 million New Zealand dollars for the year to 31 March 2007.

This is a 21 per cent increase on the prior year, and is a very positive result, particularly taking into account the exchange rate volatility we have experienced. Our growth is the result of our strategy to expand our range of products, to offer products to treat a wider range of conditions and to increase our sales presence in key markets around the world.

We have made consistent progress with this strategy. Trading revenue from our core product groups, in US dollar terms, has grown at a compound annual rate of more than 20 per cent over the past five years.

The year saw more encouraging progress in developing new opportunities for growth, with several new products introduced in our OSA product group, and expansion of the range of applications for our humidification and breathing system technologies.

We achieved an operating profit of 89.6 million dollars compared to 104 million dollars for the prior year. This result included significantly lower net foreign exchange hedging gains of 7.9 million dollars, compared to the 41.3 million dollars recorded for the prior year. Our profit after tax was 57.6 million dollars.

Our positive trading performance enabled your directors to approve 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.

Our policy to strengthen each of our core groups through development of new products was a direct contributor to our growth, building on the progress of prior years. Our investment in research and development is a vital driver of our long term financial performance and the new products which flow from R&D underpin our ability to grow the business. Each of our core product groups made a strong contribution to our revenue growth as a result of encouraging gains in market share.

Over the year we continued to expand our in-market presence. We believe that having our own people on the ground is a significant advantage. Our customers have growing access to people who know our technologies and their applications. In the vast market of Asia, for example, we have offices in Japan, China and India, each of them serving very large and diverse population groups and supporting our in-market distributors. We have expanded our European and North American direct sales teams and established a larger facility in California to further support our sales network.

We also continued to invest in our manufacturing capacity, with capital expenditure of almost 29 million dollars, including twelve million dollars to complete the second building on our Auckland site.

Mike Daniell will provide a more in-depth commentary on our performance and will discuss our prospects for the current year.

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, engineering, legal, quality, regulatory and the many other demands of an international business.

Your Board is committed to ensuring the company adheres to best practice corporate governance standards. The company's governance policies are set out each year in the annual report. Since separation in 2001, our board composition has been very stable, however the Board is conscious of the likely retirement of several directors over the next few years, and is currently planning to ensure that we continue to have the requisite skills on our board.

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, 8.6 million shares have been acquired at a cost of 24.6 million dollars at an average price of $2.87 per share. We have almost completed the buyback with 2.9 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. I know shareholders will join me in thanking our worldwide team for their ongoing efforts. 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 creating value for you.

ADDRESS BY MICHAEL DANIELL
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
TO THE ANNUAL MEETING OF SHAREHOLDERS
23 AUGUST 2007

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 great to again have the opportunity to review with you, our results for the last year, and to update you on progress so far this year.

Our trading revenue growth for the year, again demonstrated the success of our consistent growth strategy.

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 consistently strong revenue growth, and we believe we have many opportunities to generate growth in the future.

SLIDE 2

Over the year, 62% of our trading revenue was generated in US dollars, with almost 99% of our sales resulting from exports from New Zealand.

Our trading revenue of 349 million NZ dollars was up by 21%.

Operating profit reduced by 14% to 90 million NZ dollars, as a result of the persistently strong NZ dollar, and lower gains from foreign exchange hedging than in the prior year. In fact, if we eliminate the effects of hedging from both years, pre-hedging operating profit grew 30%.

Despite the unfavourable exchange rate, we continued to achieve an operating margin in excess of 25%, while investing 5.8% of trading revenue in research and development.

SLIDE 3

We generated good increases in trading revenue across all of our product groups, with the 27% growth in the obstructive sleep apnea product group increasing its share to 46% of our total trading revenue. Respiratory humidification and neonatal care both grew strongly as well, with trading revenue growth of 15% and 25% respectively.

SLIDE 4

The geographic split of sales remained diverse, with good revenue growth in each major geographic region. The North American proportion increased to 49% due very strong respiratory humidification growth in the United States.

SLIDE 5

We are very well represented in our international markets, with our own people in 21 countries, and our products sold in more than 110 countries in total.

This year we are continuing to open new sales offices and to expand our sales and distribution teams to ensure that we can serve our growing range of customers, and can take full advantage of our opportunities for growth.

SLIDE 6

Turning now to our major product groups and their performance.

Tens of millions of people worldwide stop breathing for short periods many times each night, while they are asleep. Most people with obstructive sleep apnea do not realise that they have a condition which causes excessive daytime fatigue, is associated with cardiovascular disease and strokes and is directly linked to hypertension.

The most popular treatment for OSA is continuous positive airway pressure therapy, delivered using an air flow generator, humidifier, tubing and mask.

Increasing diagnosis rates and growing awareness of the condition are contributing to strong market growth, in the 15 to 20 percent range over the past year, and we estimate that the worldwide market for treatment devices is now more than 1.7 billion US dollars annually.

SLIDE 7

In our OSA product group, combined trading revenue from our expanded range of masks and flow generators grew almost 34%. That was an important contributor to the 27% growth achieved in trading revenue of 162 million NZ dollars last year. We were encouraged that, for the first quarter this year, our OSA revenue growth continued to be well above market growth rates.

SLIDE 8

During the year we added to our range of masks, with the introduction of the second generation FlexiFit Full Face nasal mask and the Opus Nasal Pillows mask. Both new masks have been well received by our customers.

Our SleepStyle 600 series flow generators incorporate our proprietary ThermoSmart technology, which uses a heated breathing tube to provide optimal levels of humidity independent of external conditions.

With a rapidly growing proportion of our flow generators now incorporating ThermoSmart, we’re receiving very positive reports of improved comfort and better treatment from patients.

On the new product front, we are looking forward to beginning the introduction of our first auto pressure setting flow generator which we will be displaying for the first time at the World Sleep Congress in Cairns, Australia next month.

SLIDE 9

Moving now to respiratory humidification. Our respiratory devices, which include heated humidifiers, breathing circuits and masks - are used to improve patient care in the treatment of a range of medical conditions which interfere with normal breathing.

SLIDE 10

Trading revenue again grew strongly, up 15% to 150 million NZ 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. Revenue growth did include about 4.8 million NZ dollars, from a significant hospital group purchasing organisation, or GPO deal in the United States.

Last year, I outlined the opportunities we saw to increase the number of patients our devices could assist, by expanding from our traditional intensive care ventilation market into non-invasive ventilation, oxygen therapy, humidity therapy and surgery. I'm pleased to report that we have made encouraging progress with good early acceptance of the respiratory interfaces we introduced during the year, and encouraging results from pilot marketing of our humidifier system for laparoscopic surgery.

We expect to be able to make our technology available to even more respiratory patients with our new PT100 humidity therapy device, which will have application in the hospital as well as the home. This device has been designed to provide humidity therapy and to assist with the treatment of patients with chronic obstructive pulmonary disease, or COPD. Clinical data so far has been very positive.

SLIDE 11

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

Neonatal breathing systems, which include our infant bubble CPAP system and Neopuff resuscitator, helped generate a 25% increase in trading revenue to almost 27 million NZ dollars.

And we have seen good demand for our range of new resuscitation masks and new nasal oxygen therapy interfaces.

SLIDE 12

As Gary and I have already mentioned, new and improved products and processes, along with development of new clinical applications for our technologies, are critical drivers of our future revenue and earnings growth.

We are continuing to invest in expanding our product and process development activities. We have in development an extensive new product pipeline, with a number of new products scheduled 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 respiratory consumables.

Slide 13

During the year we completed construction of a second building on our East Tamaki site.

The OSA product group is well established in their new home, which has provided space for growth in manufacturing, quality, regulatory, operations and R&D capacity across the business.

Our facilities, which you can see here, cover more than 51,000 square metres, with land available for an additional three similar sized buildings.

Over the next twelve months we'll need to begin planning for our next expansion. At our usual rate of growth, which has us doubling in size every four or five years, we will be at capacity in our current facilities in about three years time.

As part of our planning, we'll be looking to spread our geographical risk and reduce costs, so it's likely we will plan to place a significant proportion of growth in manufacturing capacity offshore, as well as continuing to grow on our East Tamaki site.

We will report more on our plans as they are developed.

Slide 14

In late November we will be reporting results for the first six months of the 2008 financial year. These will be our first financial results prepared in accordance with the New Zealand equivalents of the International Financial Reporting Standards, or IFRS. You will have seen notes discussing this in the Annual Report.

Trading for the first four, now almost five, months of the 2008 financial year has been positive, particularly considering the very strong revenue growth we achieved in the first half last year. Of course, the strength of the NZ dollar in the first half has created an earnings headwind. Despite this, we have continued to actively invest in growing our R&D, sales and operations teams.

For the first six months of our 2008 financial year, if the exchange rate stays at about 0.70, we estimate that the NZD:USD rate will average about 0.74.

We expect to achieve first half operating revenue, which under IFRS includes all foreign exchange hedging results, of approximately 125 to 130 million US dollars, representing growth of approximately 15%. In NZ dollars that's revenue of approximately 170 to 175 million dollars, similar to the first half last year, due to NZ dollar appreciation.

Taking into account growth, along with hedging and the exchange rate sensitivity we provided in May, we expect to achieve a first half operating profit of approximately 32 million NZ dollars. For the full year, at current exchange rates, we expect to achieve the operating profit we estimated in May of approximately 75 million NZ dollars.

SLIDE 15

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 are working to reward that support.

Thank you.