ADDRESS BY GARY PAYKEL, CNZM
CHAIRMAN FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
TO THE 2005 ANNUAL MEETING OF SHAREHOLDERS

If I could sum up the year in one word, it would be “expansion”. We have profitably expanded our range of products in each of our product groups and our share in each of the markets we operate in. We have expanded into new categories of patient care. We have continued to expand our presence in international markets and we have expanded here in New Zealand, as we have invested in increasing our manufacturing facilities and grown our clinical partnerships.

These activities directly contributed to our financial performance for the year and the value we created for our shareholders.

We achieved record revenue of 241 million NZ dollars, with increases in operating revenue across all of our core product groups of obstructive sleep apnea, respiratory humidification and neonatal and warming products. We achieved a 14% increase in our operating profit to 90 million dollars and achieved a profit after tax of 61 million dollars.

We have also continued to expand our technology base. A core strength is our extensive knowledge of clinical humidification technology and our expertise in a number of related areas. That knowledge base grows each year. We apply it to designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes.

This year, that knowledge enabled us to take eight significant new products to market in our core product groups and expand into new areas of patient care, an exciting development for us which Mike Daniell will discuss shortly.

The company is most effective in our international markets when we have our own people selling locally and supporting our customers. In recent years, we have concentrated on building up this presence and the benefits clearly confirm we are on the right track

During the year we also initiated a significant investment in expansion on our Auckland site, to accommodate our growth. Our new building project, adjacent to our existing facility, is on schedule and will be operational by the middle of 2006.

Our investment in expanding our manufacturing facilities here is a clear statement about our commitment to New Zealand. But we are always mindful of costs. Over the year we secured annualised savings of approximately two million dollars in our product costs through better design, purchasing and processes. We employ automation, frequently with technology developed in-house, as a way to improve health and safety, reduce costs, increase our production capabilities and improve product quality. We have less control over the external costs of doing business and we will always need to keep those under consideration.

One of the important aspects of having our home base here is our research relationships with clinicians in a number of specialities. We are very fortunate to be working with clinicians in specialities which include adult and cardiovascular intensive care, neonatal intensive care, paediatrics and paediatric intensive care, anaesthesia, sleep, and respiratory care. These partnerships are essential to enable us to develop better devices to help improve patient care and outcomes. And, of course, in addition to our New Zealand research relationships, we have many partnerships with clinicians overseas.

To recognise one important long-standing relationship, last year we committed one million dollars in sponsorship towards the development of a clinical education centre at Auckland City Hospital. The Fisher & Paykel Healthcare Clinical Education Centre opened in November 2004 and is a world-class regional facility for clinical education, training and conferences. We are very proud to be part of the Centre's development and look forward to continuing the relationships that began more than 35 years ago with Auckland's hospitals and clinicians.

Our performance this year has been true to our mission to create value for our shareholders. Our performance enabled us to increase our total dividends for the year to 10.8 cents per ordinary share carrying full imputation credit. Non resident shareholders received supplementary dividends of 1.9 cents per share. 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 30%.

Last year's subdivision of each ordinary share into five shares, provided additional liquidity in the market for our shares and we believe has been to the benefit of shareholders. The subdivision was completed in October 2004 and we now have approximately 508 million ordinary shares on issue.

We have continued our share buy back programme which was originally announced in March last year. As we noted at the initiation of this programme, we believe repurchasing our shares is currently an appropriate use for surplus funds. As of today 5.4 million shares have been acquired at a total cost of 14.1 million dollars at an average price of $2.60 per share.

After another year of very positive performance, we expect the 2006 financial year to deliver more of the strong underlying revenue growth and sound margins that we have talked about today. While the New Zealand dollar remains strong against our principal trading currency of the US dollar, our foreign exchange hedge portfolio is soundly managed and leaves us well placed for the current financial year.

In closing, I would like to acknowledge the commitment and ability shown by our worldwide team in the market, in product development and in manufacturing, administration and operations. Our teams work in a number of focused business units and their excellent relationships with our customers, clinical partners, distributors, and suppliers contribute directly to our growth.

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.

Thank you.

ADDRESS BY MICHAEL DANIELL, MD/CEO

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
TO THE ANNUAL MEETING OF SHAREHOLDERS
TUESDAY 23 AUGUST 2005.

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 results for the year again demonstrate the success of our consistent growth strategy for increasing value for our shareholders. The four components of this strategy are; expanding our product range, increasing the value we add and earn per patient – and this is particularly so with consumables such as masks and breathing circuits, developing and marketing products that serve new patient groups and finally, expanding our international presence to meet the needs of often very different markets.

As this graph of US dollar revenue over the past six years illustrates, this strategy has consistently delivered revenue growth, and we believe will continue to do so.

SLIDE 2

Over the year, 61% of our revenue was generated in US dollars, with 98% of our sales made outside New Zealand.

Our operating revenue of 163 million US dollars was up by 23%.

And our operating profit was up 25% to 61 million US dollars.

We achieved an increased operating margin of 37.3% and also increased our investment in R&D to 6.7% of revenue.

SLIDE 3

We saw good increases in revenue across all of our product groups, respiratory humidification continued to be our largest product group, representing 49% of sales. Obstructive sleep apnea generated 40% of total revenue, neonatal and warming 8% and distributed products 3%.

SLIDE 4

The split of sales by region remained largely consistent year-on-year as a result of strong revenue growth in each region. Europe generated 31% of sales, North America 43%, Asia Pacific represented 21% of sales and our remaining markets the 5% balance.

SLIDE 5

In recent years we have talked about ongoing expansion of our international sales activities. As you can see from the map, we are now well represented with our own people in our North American, European, Asian, Middle Eastern and South American markets.

We are seeing promising results from our recently expanded activities in India, China, Japan and the Middle East. In our largest markets, North America and Europe, 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 the 15-20% annual growth of this 1 billion US dollar worldwide market.

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. Our humidification technology and our extensive R&D, which has resulted in innovative products, are important competitive advantages in the OSA treatment market.

SLIDE 7

In our OSA product group, combined revenue from flow generators and our expanded range of masks grew at a rapid rate last year – increasing by 70%, in US dollar terms. That was an important contributor to the 34% growth achieved in total revenue of 66 million US dollars.

As I mentioned earlier, this is a rapidly growing market, with better and earlier diagnosis of OSA getting people into treatment. At the same time, the benefits of humidified air in treating OSA are being increasingly recognised. As a result we are seeing gains in market share and sales to a wide range of customers, both in North America and in international markets.

SLIDE 8

Our R&D investment in flow generator and mask development was an undoubted driver of revenue growth. Over the year we introduced a number of new products into this market.

Our new ***Sleep****Style*™ 200 series and 600 series flow generators have been very well received by customers. The ***Sleep****Style*™ 200 series includes our patented ***Ambient****Tracking*® humidification technology, which ensures minimal condensation and avoids the potential of water in the breathing tube affecting pressure delivery and efficacy. The new flow generators also offer an increased pressure range, altitude compensation and an enhanced user interface.

The ***Sleep****Style*™ 600 series uses our proprietary ***Thermo****Smart*™ technology, which incorporates a heated breathing tube to provide optimal levels of humidity independent of external conditions. Patients have already provided very positive feedback that ***Thermo****Smart*™ reduces symptoms caused by airway drying and significantly improves comfort.

Our expanded range of masks now spans four categories with nasal, oral, full face and direct nasal types. This expanded mask range has also been very well received by dealers and OSA patients in our major markets. For the year, flow generators and masks generated a little more than three quarters of our total OSA revenue.

SLIDE 9

Moving on now to respiratory humidification. We estimate that the market we currently operate in is worth more than 350 million US dollars worldwide and is growing at around 5% per year.

Heated humidification 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

Revenue increased 16% to 79 million US dollars.

This growth was generated primarily by ongoing market share gains by our MR850 humidifier system, which in turn drove growth both in adult and neonatal breathing circuits. As I mentioned earlier, one of our aims is to increase the value of devices we provide for each patient, and consumables such as breathing circuits and filters are helping to achieve this.

Last year we introduced our *Evaqua®* breathing circuit - a world first in breathing circuit technology, incorporating a membrane which allows water vapour passing through the expiratory tube to escape. This technology overcomes a major problem with condensed water that faces health professionals dealing with patients on artificial ventilation. *Evaqua®* has been very well received and we are ramping up manufacturing capacity to meet the rapidly growing demand.

SLIDE 11

Developing products to serve new patient groups is an important component of our longer term growth strategy.

Our MR880 humidification system has been designed for use by patients outside of our traditional intensive care ventilation market. We see an opportunity to improve care and outcomes for a number of additional patient groups. These include people with severe respiratory illness such as chronic obstructive pulmonary disease, or COPD, and patients with conditions such as xerostomia , or dry mouth, and cystic fibrosis.

We have also begun pilot marketing an innovative humidification system for use in laparoscopic surgery. We estimate that more than fifteen million of these procedures take place each year around the world. During laparoscopic surgery, cold dry carbon dioxide gas continuously flows into the abdominal cavity and this can cause hypothermia, tissue damage, inflammation, pain and risk of complications. Our MR860 system is designed to humidify the gas to body temperature, saturated with water vapour to maintain normal physiological conditions in the abdominal cavity during surgery.

Both of these opportunities are showing very positive early results, and we believe that over time, they will become important drivers of revenue growth.

SLIDE 12

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

Neonatal breathing systems, which include our infant CPAP system and resuscitator, helped generate a 31% increase in revenue to 13 million US dollars. And both our infant CPAP system and infant resuscitator are continuing to generate a rapidly growing proportion of recurring revenue in this product group.

SLIDE 13

As Gary mentioned, we are well on track with the construction of a second building on our East Tamaki site. This approximately 60 million NZ dollar investment is on target for completion in the middle of next year.

The new building, which you can see taking shape here, covers 23,300 square metres and will accommodate additional manufacturing, operations and R&D capacity. It's essentially a replica of our current facility, which was completed in 2000, as its design and function has proven extremely effective.

SLIDE 14

To wrap up, the 2005 financial year was again a strong year for our business with pleasing growth achieved in each of our core product groups.

We continue to invest in the R&D and sales activities that will ultimately deliver our future growth. We have in development an extensive new product pipeline, with further new product projects on track for introduction over the next twelve to eighteen months. These include new masks, 'smart' flow generators in OSA and additional consumables in our respiratory and neonatal groups.

The 2006 financial year has started very well, with pleasing revenue growth in each of our product groups, particularly the OSA group. We are now looking to achieve first half revenue growth of approximately 25% in US dollars, generating revenue for the first half of between 93 and 95 million US dollars, or between 132 and 135 million NZ dollars. And we expect operating margin percentage to continue to be in the mid 30's.

We appreciate the continued support of our shareholders and we will endeavour to reward that support with continued growth in our returns to you.

Thank you.