

Notice of Annual Shareholders' Meeting

Notice is hereby given that the **Annual Meeting of Shareholders** will be held at the Guineas Lounge, Ellerslie Convention Centre, Auckland, New Zealand on Tuesday, 23 August 2005 commencing at 3.00 pm.

ORDINARY BUSINESS

1. Financial Statements

To receive and consider the financial statements and the auditor's report for the year ended 31 March 2005 as contained in the Company's annual report.

2. Election of Directors

In accordance with the Company's constitution, the following Directors retire by rotation and, being eligible, offer themselves for re-election;

(a) Gary Paykel; and

(b) Michael Smith

(See Explanatory Note 1)

3. Authorise the Directors to fix fees and expenses of auditor

To authorise the Directors to fix the fees and expenses of PricewaterhouseCoopers as the Company's auditor.

SPECIAL BUSINESS

4. Fisher & Paykel Healthcare 2003 Share Option Plan – Issue of Options to the Managing Director and Chief Executive Officer

To consider and, if thought fit, to pass the following ordinary resolution:

"That shareholders approve the issue of up to 200,000 options under the Fisher & Paykel Healthcare 2003 Share Option Plan to Mr Michael Daniell, Managing Director and Chief Executive Officer of the Company."

(See Explanatory Note 2)

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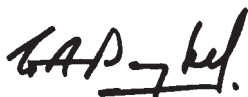
PROCEDURAL NOTES

- (i) The persons who will be entitled to vote on the resolutions at this Annual Shareholders' Meeting are those persons who will be the shareholders of the Company at 3.00 pm on Friday, 19 August 2005.
- (ii) You can participate by proxy or by casting your vote in person at the Annual Shareholders' Meeting.
- (iii) All shareholders entitled to attend and vote at the Annual Shareholders' Meeting are entitled to appoint a proxy to attend and vote for them in their place. The proxy need not be a shareholder of the Company. A proxy form is enclosed and, if used, must be lodged at the office of the share registry, Computershare Investor Services Limited, at either Private Bag 92119, Auckland 1020 or at Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Auckland, New Zealand not less than 48 hours before the time of the holding of the meeting (i.e. before 3.00 pm 21 August 2005).
- (iv) The Company will disregard any votes cast on the resolutions set out in Agenda Item 4 by Michael Daniell or any of his associates. The Company need not disregard a vote cast on resolution 4 if it is cast by Michael Daniell or any of his associates as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or it is cast by Michael Daniell chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.
- (v) The resolutions set out in Agenda items 2, 3 and 4 must be passed by an ordinary resolution of shareholders, i.e., by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution.
- (vi) This Notice of Meeting has been approved by New Zealand Exchange Limited in accordance with NZSX listing rule 6.1.1. Australian Stock Exchange Limited has issued a "no-objection" letter in relation to this Notice of Meeting in accordance with ASX listing rules 15.1.4 and 15.1.7.

EXPLANATORY NOTES

Explanatory notes in respect of the resolutions are set out on the following pages.

By Order of the Board of Directors



Gary Paykel
Chairman
28 June 2005

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EXPLANATORY NOTES

EXPLANATORY NOTE 1 – ELECTION OF DIRECTORS

In accordance with the Company's Constitution, one third of the Company's Directors must retire by rotation at the Annual Meeting of Shareholders. If the Directors are eligible, they may offer themselves for re-election by shareholders at the meeting. In this case Gary Paykel and Michael Smith retire and, being eligible, offer themselves for re-election by shareholders at this annual meeting.

The Directors consider Gary Paykel and Michael Smith to be Independent Directors as that capacity is described in the NZSX Listing Rules.

EXPLANATORY NOTE 2 – FISHER & PAYKEL HEALTHCARE 2003 SHARE OPTION PLAN – ISSUE OF OPTIONS TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Introduction

Shareholder approval is being sought for the grant of up to 200,000 options under the Fisher & Paykel Healthcare 2003 Share Option Plan (the Plan) to Mr Michael Daniell, the Managing Director and Chief Executive Officer of the Company. The Plan was established by the Company in 2003 in accordance with the Plan rules dated 7 March 2003 and amended on 12 August 2004. The Company intends to also issue up to 3,800,000 options to selected executives, managers and other employees of the Company and its subsidiaries (within 2 months of the Annual Shareholders' Meeting) pursuant to NZSX Listing Rule 7.3.6(a) and ASX Listing Rule 10.14. Therefore, the proposed grant of up to 200,000 options to Mr Daniell represents 5% of the options intended to be granted at that time.

The Board believes that the Plan fulfils an important role in creating an identity of interest between the Company's senior employees and its shareholders, through incentivising such employees to grow the share price of the Company. The Plan also assists the Company to attract, motivate and retain key employees in an environment where such employees are in high demand both within New Zealand and internationally.

As with previous option plans, the Board will regularly review the operation of the Plan and consider whether it is in the Company's interest to make further grants of options. In the light of the financial performance of the Company for the year ended 31 March 2005, and the general commercial environment in which the Company currently operates, it is proposed, subject to obtaining shareholder approval to do so, that a grant of up to 200,000 options be made to Mr Michael Daniell under the Plan using criteria applying generally to all employees and on identical terms and conditions as those options to be issued to other selected employees.

Shareholder approval required

NZSX Listing Rule 7.3.6, ASX Listing Rule 10.14 and the Company's constitution require that shareholder approval be obtained where options and other equity securities are to be issued to a Director under an employee share incentive scheme.

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Shareholder approval is therefore being sought to issue options under the Plan to the Managing Director and Chief Executive Officer of the Company, Mr Michael Daniell. If approved, the options will be issued to Mr Daniell within 2 months of the Annual Shareholders' Meeting.

No Director or associate has received options granted under the Plan (or any predecessor plan) except Mr Daniell. As at 31 March 2005, Mr Daniell holds 1,875,000 options under the Plan and its predecessor plan. 55,000 options were granted to Mr Daniell under the Plan on 26 August 2004 and these were converted into 275,000 options following the 5 for 1 share subdivision on 1 October 2004. Mr Daniell is the only Director eligible to participate in the Plan.

Key Terms of the Plan

The key terms of the Plan are:

- No amount is payable for the grant of options.
- One option gives the participant the right to subscribe for one ordinary share in the Company (subject to meeting the relevant exercise conditions).
- The Board may determine that the options will have a deemed grant date earlier or later than the date on which the grant is actually made.
- One third of the options granted under the Plan to an employee on a particular grant date become exercisable on each of the second, third and fourth anniversaries of the grant date and all unexercised options expire on the fifth anniversary of the grant date.
- Options also become exercisable if a person (or group of persons acting in concert) acquires more than half of the ordinary shares of the Company.
- On leaving employment due to serious illness, accident, permanent disablement, redundancy or other circumstances as determined by the Board, the participant will have one month to exercise all outstanding options. In the event of the participant's death, the participant's executor will have three months to exercise all outstanding options. Unless otherwise determined by the Board, on termination of employment for any other reason all outstanding options held by the participant will expire.
- Subject to any applicable Listing Rules, the Board is given a discretion to adjust options to achieve equivalent treatment as between the participants in the Plan and the shareholders in the event of a reconstruction in the share capital of the Company.
- The Company may amend the terms of the Plan, subject to the consent of any adversely affected participant.
- Options are not transferable and do not participate in dividends or other distributions of the Company.
- The Board may determine the exercise price of an option on or around the date the options are granted.
- The Board has agreed that the exercise price for the options granted under the Plan following the Annual Shareholders' Meeting will be calculated as follows:

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On or around the grant date a "base price" will be determined by the Board. This will be the volume weighted average price for a share on the NZSX for the 5 business days prior to the grant date. The base price will be adjusted to take into account any consolidation or subdivision of shares, bonus issue, capital reconstruction or any other adjustments to the shares or share structure of the Company.

As at each anniversary of the grant date a new base price will be calculated by:

- (a) increasing the last calculated base price by a percentage amount determined by the Board to represent the Company's cost of capital, after taking into account independent advice (subject always to independent advice at the relevant time, it is currently anticipated that the Company's cost of capital will be between 10% and 12% per annum); and
- (b) reducing the resulting figure by the amount of any net cash dividends paid by the Company in respect of a share in the 12 month period immediately preceding that anniversary.

However, to ensure that the base price does not decrease, if there were circumstances where the base price is less than the last calculated base price, the new base price shall be the last calculated base price.

The exercise price for the one-third of options that become exercisable on the second anniversary of the grant date shall be the base price calculated as at the second anniversary of the grant date.

The exercise price for the one-third of options that become exercisable on the third anniversary of the grant date shall be the base price calculated as at the third anniversary of the grant date.

The exercise price for the one-third of options that become exercisable on the fourth anniversary of the grant date shall be the base price calculated as at the fourth anniversary of the grant date.

In circumstance where, in accordance with the Plan, exercise occurs prior to the date the options normally become exercisable, the exercise price for such options shall be the last base price calculated prior to the date of exercise.

- Options will not be listed on either the NZSX or the ASX markets . So long as the Company remains listed on the NZSX and/or the ASX markets it is intended that the shares issued under the Plan will be listed on the NZSX and/or the ASX markets (as applicable).
- Ordinary shares issued on the exercise of options will rank equally with all other ordinary shares in the Company except for dividends declared or payable in respect of any period prior to the issue of the relevant shares.
- It is intended that the Cancellation Offer facility approved by shareholders at the 2004 Annual Shareholders' Meeting will apply to the options granted under the Plan following the Annual Shareholders' Meeting.
- A Prospectus relating to the Plan is available for review at the New Zealand Companies Office (www.companies.govt.nz).

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