

**ADDRESS BY GARY PAYKEL, CNZM
CHAIRMAN
FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
TO THE ANNUAL MEETING OF SHAREHOLDERS
22 AUGUST 2008**

Around the world an increasing number of hospitals, physicians, nurses, therapists and homecare providers are choosing our medical devices to assist with the treatment of their patients. Their support is reflected in our achieving record operating revenue of 358 million New Zealand dollars for the year to 31 March 2008.

Exchange rates between the New Zealand dollar and other currencies were again volatile during the year, with the New Zealand dollar appreciating 15% on average compared to the US dollar. As a result, we achieved an operating profit of 58 million dollars compared to 79 million dollars for the prior year. Our profit after tax was 35 million dollars.

Our growth continues to be 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. Revenue from our core product groups, in US dollar terms, has grown at a compound annual rate of more than 20% over the past five years.

Last year we made particularly encouraging progress in expanding the range of applications for our humidifier and breathing system technologies beyond our traditional hospital intensive care environment.

Our positive trading performance enabled your directors to approve a final dividend of seven cents per ordinary share, carrying 50% imputation credit, taking total dividends for the year to 12.4 cents per share.

New and improved products and processes, along with the development of new applications for our technologies, are critical drivers of our annual revenue and earnings growth. We remain committed to investing in R&D. Each of our core product groups made a strong contribution to our revenue growth as a result of new product introductions and encouraging gains in market share.

Over the year we continued to invest in the expansion of our global sales network with our own people now located in 26 countries and our products sold in more than 110 countries. We have an increasing number of our own people supporting customers at a local level and our experience confirms that the stronger our presence in each market, the better we can inform customers, build relationships and identify growth opportunities.

We also continued to invest in our manufacturing capacity, with total capital expenditure of 13 million dollars last year. This year we expect to commit to increased capital expenditure in New Zealand of approximately 20 million dollars to support growth in demand across our product range, especially high volume consumable devices, and for the introduction of new products.

As reported to you at last year's annual meeting, we have also begun planning for future manufacturing expansion and have been investigating locations outside New Zealand to spread our geographic risk and to reduce some of our manufacturing costs.

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

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, medicine, 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.

During the year we completed the share buy-back programme which was originally announced in March 2004. In total, 9.4 million shares were acquired at an average price of \$2.92 per share.

As a company, we see continuing growth opportunities. The experience, capabilities and commitment of our 2000 people worldwide, ensures we are able to offer innovative medical devices which can help to improve patient care, and enables us to deliver the long term growth in value expected by our shareholders.

Our people are also responsible for the valued relationships we have with our customers, distributors, suppliers and clinical partners. I know shareholders will join me in thanking them for their ongoing efforts.

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
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A copy of the slide presentation will be available on the company's website at www.fphcare.com

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Thank you, Gary. Good afternoon, ladies and gentlemen. It's a pleasure to again have the opportunity to review with you, our results for the last year, and to update you on progress and some of our plans for the future.

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

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.

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Over the year, 58% of our operating revenue was generated in US dollars, with 98% of our sales resulting from exports from New Zealand.

Due to the stronger NZ dollar, our operating revenue grew 3% to 358 million NZ dollars, but in US dollar terms, operating revenue was up 18% to 271 million US dollars.

Operating profit reduced by 27% to 58 million NZ dollars, primarily as a result of the persistently strong NZ dollar.

Despite the unfavourable exchange rate, we achieved an operating margin in excess of 16%, while investing 6.7% of operating revenue in research and development.

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In US dollar terms, we achieved robust increases in operating revenue across our major product groups, with respiratory and acute care up 19% and obstructive sleep apnea product group revenue growing 18%.

The proportion of our revenue which is generated from recurring items continued to increase, with approximately 70% of operating revenue from consumables and accessories.

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The geographic split of sales remained diverse, with good revenue growth in each major geographic region. North America continues to be our biggest market, with a large proportion of our OSA sales made there.

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We are very well represented in our international markets, as Gary mentioned, we now have our own people located in 26 countries, and our products are sold in more than 110 countries in total.

We are continuing 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.

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Turning now to our major product groups and their performance.

Our heated humidifier systems play an important role in improving patient care in the treatment of a variety of medical conditions which interfere with normal respiration. Warming and moistening of the gases delivered through mechanical ventilation or oxygen therapy helps to reproduce the normal functioning of the nose and upper airways and reduces airway moisture loss and the occurrence of adverse side effects.

Our devices include humidifier controllers, chambers, breathing circuits which convey medical gases to and from the patient, filters, connectors and interfaces.

Our neonatal care devices include warmers, respiratory systems and resuscitators. These devices are used to assist newborn babies, particularly those born prematurely, with temperature regulation and breathing.

We are also pioneering a humidification system which humidifies the cold, dry carbon dioxide gas which is used to inflate the patient's abdomen during 'keyhole' or laparoscopic surgery.

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Operating revenue again grew strongly, up 19% in US dollar terms. 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.

Last year, we outlined the opportunities we were pursuing 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. We have made very encouraging progress, with those new applications generating 20% of operating revenue in this group last year.

Recently we began to make our technology available to even more respiratory patients with the introduction of our new PT100 humidity therapy device, which has 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.

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Most people with OSA do not realize that they have a condition which causes excessive daytime fatigue, is associated with cardiovascular disease and strokes, and is directly linked to hypertension. In fact, tens of millions of people worldwide who have untreated OSA stop breathing for short periods many times each night while they are asleep.

Continuous positive airway pressure, or CPAP, therapy is the most common treatment for OSA. CPAP therapy prevents the collapse and blockage of the patient's airway during periods of deep sleep and is delivered using an air flow generator, humidifier, tubing and mask.

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We estimate that the worldwide market for OSA treatment devices and consumables will soon be worth more than 2 billion US dollars annually. We have continued to grow our share with our broad range of CPAP masks, flow generators and humidifiers.

Combined operating revenue from masks and flow generators grew 21% in US dollar terms. A large proportion of our CPAP flow generators now incorporate our ThermoSmart humidification technology.

ThermoSmart technology warms the tube which delivers air to the mask and allows much higher levels of humidification which can reduce the symptoms caused by airway drying.

During the year we added to our range of masks, with the introduction of our Opus 360 Nasal Pillows mask which was very well received by our customers.

We have recently begun to introduce, around the world, our first auto pressure setting flow generator the SleepStyle 200 Auto, which automatically detects interruptions to normal breathing, and provides pressure on demand to meet the breath-by-breath needs of the patient.

In addition our Auto device incorporates SensAwake, a unique comfort-related feature that identifies when the patient is awake and promptly reduces the delivered pressure to facilitate the transition back to sleep.

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Research and development, which results in new and improved products and processes as well as new clinical applications for our technologies, is fundamental to our future revenue and earnings growth. I've already mentioned the new SleepStyle Auto flow generator and the PT100, which we are currently introducing.

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 more new masks and flow generators for OSA treatment, and additional respiratory consumables.

First up is our new Zest range of nasal masks for use in OSA treatment. Small, quiet, and easy to fit and use, we believe the Zest Nasal Mask offers superb comfort, combining our new Easy-Clip Silicone Seal with our proven FlexiFit and Glider technology. We begin selling Zest in Australasia this month, with other markets to quickly follow.

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Demand for our products continues to grow at a rate which would see the business more than double in size over the next five years. As Gary mentioned earlier, we are currently making a significant investment in manufacturing capacity at our site in East Tamaki.

Next year, we also plan to establish a parallel manufacturing facility offshore. The new facility will be located closer to our major northern hemisphere markets and we expect will reduce manufacturing and freight costs, provide shorter delivery times and will spread our geographic risk. We envisage establishing the manufacture of a portion of our more mature, high volume, consumable items in the offshore facility to make way for new products and processes at our East Tamaki site.

Detailed planning for the offshore facility is underway. Location, timetable and expected cost savings will be announced once planning is complete.

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Our treasury policy has continued to serve us well in the face of a very volatile Kiwi dollar, generating gains of almost 12 million NZ dollars the last financial year versus an unhedged position.

In the current year we have continued to maintain hedging policy minimums for the US dollar and have covered most of our exposure for the remainder of the financial year. This cover is predominantly in the form of collar options, which offer protection above about 76 cents, while limiting participation in NZ dollar falls below about 70 US cents.

In terms of the Euro, over we are covered to approximately 70% with a mixture of forward contracts at about 48 Euro cents and collar options with a cap of about 51 and a floor of about 47 Euro cents.

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In November we will be reporting results for the first six months of the 2009 financial year.

Trading so far, for the first half of the 2009 financial year, has been very positive, assisted by backorders we held at the beginning of the new financial year, as well as particularly strong demand for our respiratory and acute care products.

If the NZ to US dollar exchange rate remains at about 72 cents, we estimate that the spot rate would average about 75 cents for our first half.

We now expect to achieve very strong first half operating revenue, of approximately 210 million NZ dollars, representing growth of approximately 20%, or in US dollar terms growth of 25% to approximately 160 million dollars.

Taking into account that growth, along with the hedging I've outlined, we now expect to achieve a first half operating profit of approximately 43 million NZ dollars, which would be an increase of approximately 38% on the first half last year. For the full year, at current exchange rates, we now expect to achieve an operating profit of approximately double the first half.

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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.