



ANNUAL REPORT

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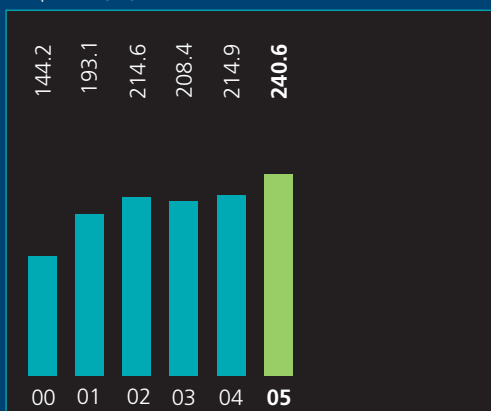
EXPANDING OUR REACH

Fisher & Paykel Healthcare Corporation Limited increases value for its shareholders by profitably designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes.

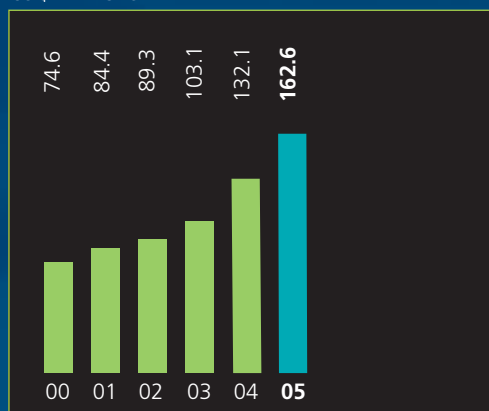
2005 FINANCIAL HIGHLIGHTS

OPERATING REVENUE FROM CONTINUING OPERATIONS

NZ \$ MILLIONS

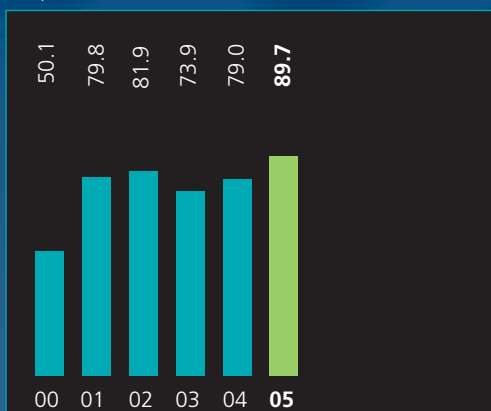


US \$ MILLIONS

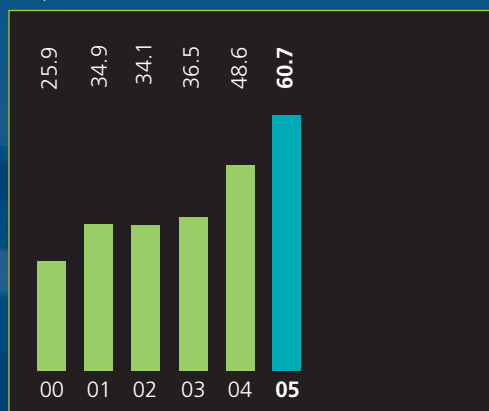


OPERATING PROFIT FROM CONTINUING OPERATIONS BEFORE ABNORMAL ITEMS

NZ \$ MILLIONS

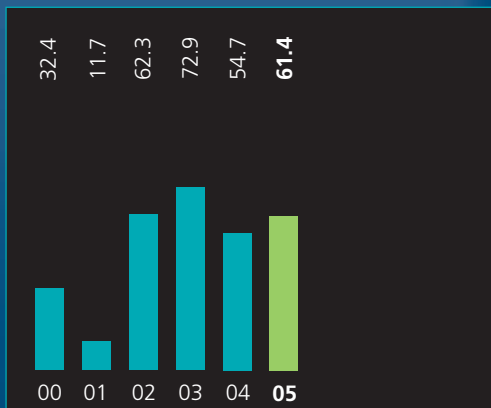


US \$ MILLIONS

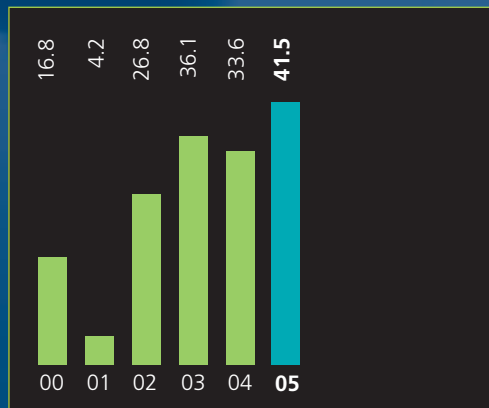


PROFIT FROM CONTINUING OPERATIONS AFTER TAXATION

NZ \$ MILLIONS



US \$ MILLIONS



2005 FINANCIAL HIGHLIGHTS

- + Record operating revenue of NZ\$240.6 million
- + Operating revenue up 23% to US\$162.6 million
- + Increased operating profit of NZ\$89.7 million, up 14% over the prior year
- + Profit after tax of NZ\$61.4 million
- + Operating margin of 37.3% for the year
- + Respiratory humidification product group revenue up 16% to US\$78.8 million
- + OSA product group revenue up 34% to US\$65.7 million
- + Neonatal and patient warming product group revenue up 31% to US\$12.8 million
- + Pre-tax return on average shareholders' equity of 48%
- + Research & development investment increased to 6.7% of revenue
- + Total dividends of NZ 10.8 cents per share for the year

Our values

Fundamental to our success are these basic values:

PATIENTS:

We will employ our research capabilities, technical skills and clinical partnerships to design and develop innovative products and therapies which assist healthcare professionals to provide the best possible patient care and outcomes.

CUSTOMERS:

Our goal is to be recognised by our customers as a high quality, innovative and cost efficient supplier. We will earn their respect as the best to do business with through our understanding of their current and future needs.

OUR PEOPLE:

We value our family of employees as essential to the success of our company. We aim to develop a long-term trusting relationship with each employee, providing for their welfare, wellbeing and safety, encouraging their contributions and assisting in their personal development and education. In all dealings we will be fair and consistent.

QUALITY IMPROVEMENT:

We believe in continuous improvement in everything we do, including our administration, marketing, sales, design, service, distribution and manufacturing. Continued innovation and improvement are critical to our ongoing growth.

SUPPLIERS:

We view suppliers of goods and services, with whom we wish to develop long-term trusting relationships, as an extension of our company. We expect our suppliers to embrace our quality improvement philosophy in their dealings with us.

SHAREHOLDERS:

We aim to be a company in whom our shareholders have trust and pride. We will keep our shareholders properly informed of our company's performance and prospects. We recognise the need to provide our shareholders with an excellent return on investment, consistent with long-term growth.

PLANNING:

All short-term decisions will be consistent with long-term objectives that balance the needs of our people, customers, suppliers and shareholders. Each year these objectives will be widely communicated within our company.

ENVIRONMENT:

Reflecting our commitment to minimise the impact of our operations on the environment, we aim to develop products and manufacturing processes which are as friendly to the environment as practicable.

SOCIETY:

We will conduct our business at all times in a fair, ethical, consistent and professional manner. We accept our responsibility to be a trustworthy community neighbour and will continue to support community affairs.

EXPANSION THE KEY TO RECORD RESULTS

CHAIRMAN'S REPORT



Gary Paykel –
CHAIRMAN

The expansion of both our product range and our presence in international markets was an important contributor to the record operating results achieved by Fisher & Paykel Healthcare Corporation Limited in the year ended 31 March 2005.

Operating revenue increased across all our core product groups of obstructive sleep apnea, respiratory humidification and neonatal and warming products, leading to record revenue of NZ\$240.6 million and a 14% increase in our operating profit to NZ\$89.7 million. Profit after tax was NZ\$61.4 million.

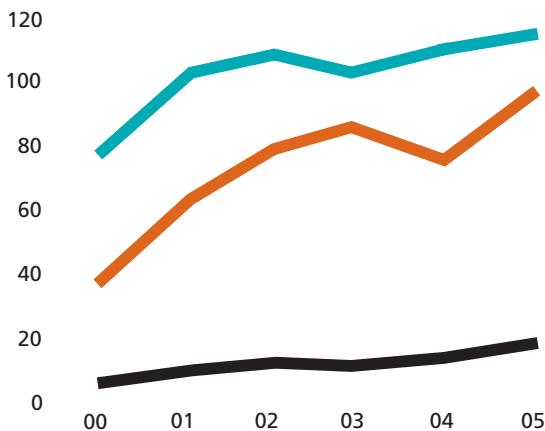
As an exporter we earn a large proportion, approximately 61%, of our revenue in US dollars. In US dollar terms, revenue increased by 23% for the year to US\$162.6 million and our operating profit by 25%, to US\$60.7 million compared with the prior year.

These results were achieved by adhering to our vision of increasing value for our shareholders by designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes. This year has seen us take eight significant new products to market in our core product groups and expand into new areas of patient care that draw on our extensive knowledge of clinical humidification.

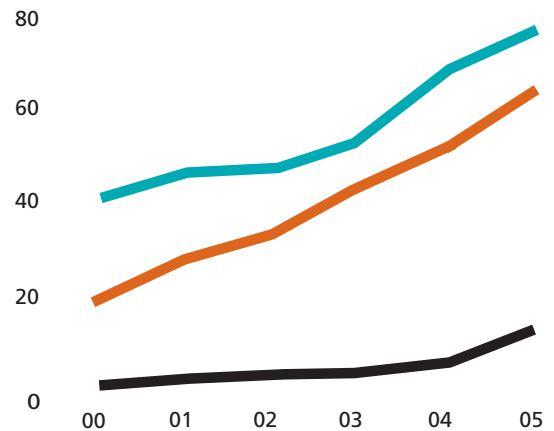
Expansion has enabled us to increase value for our shareholders, with increased total dividends for the year of NZ 10.8 cents per ordinary share carrying full imputation credit. This dividend is equivalent to NZ 54 cents per share prior to the five for one subdivision in October 2004. Non resident shareholders received supplementary dividends of NZ 1.906 cents per share. Dividends paid represented approximately 90% of our full-year after-tax profit, in line with our current policy.

REVENUE BY PRODUCT GROUP

NZ \$ MILLIONS



US \$ MILLIONS



RESPIRATORY HUMIDIFICATION PRODUCTS

OSA PRODUCTS

PATIENT WARMING AND NEONATAL CARE PRODUCTS

It was a year in which each of our core product groups expanded their market shares and their revenues.

In our OSA product group, combined revenue from flow generators and our expanded range of masks grew by approximately 70%, in US dollar terms. Total revenue in this product group grew 34% to US\$65.7 million as a result of gains in market share and sales to a wider range of customers, both in North America and international markets.

In the respiratory humidification product group, revenue also grew strongly, up 16% in US dollar terms to US\$78.8 million. This performance was largely driven by an increased market share for our MR850 humidifier system, and strong growth from the adult and neonatal breathing circuits and other components used with this system.

Neonatal and patient warming revenue growth was again encouraging, with revenue for the year up 31% to US\$12.8 million. Neonatal warmers generated strong growth as did neonatal breathing systems, which include our infant CPAP system and resuscitator. Both the infant CPAP system and resuscitator are continuing to generate rapidly growing, recurring revenues from consumables.

We made very positive gains in our margins, another indicator of the strength of our business. Our gross margin increased from 70.9% in the prior year to 72.0%, a gain we

attribute primarily to foreign exchange hedging and a favourable product mix. Our operating margin increased to 37.3% compared with 36.8% in the prior year.

The NZ\$67.4 million spent on selling, general and administrative expenses represents a 14% increase on the previous year and resulted from the continued expansion of our international sales activities. In recent years we have established direct sales operations in Italy, Spain, Austria and Switzerland, grown our sales teams in North America, France, Germany, the United Kingdom, Australia and New Zealand and increased our presence in India, China and the Middle East.

The establishment of a company in Japan (Fisher & Paykel Healthcare K.K.) and a sales and marketing support office in Tokyo in June 2004, means we are strongly positioned in Japan, a rapidly growing market for devices to treat obstructive sleep apnea. Growth in the US market has been supported by plans to establish an Eastern US distribution centre in addition to our California facility.

Research and development underpins our ability to create new and profitable products in our core product groups. During the year our research and development investment increased by 15% to NZ\$16.2 million, representing 6.7% of revenue for the year. We are confident of generating a return on this investment as we take new products to

Positive gains ... Our gross margin increased from 70.9% in the prior year to 72.0%. Our operating margin increased to 37.3% compared with 36.8% in the prior year.

market while maintaining a steady flow of innovative concepts in our product development pipeline.

The year also saw us initiate an estimated NZ\$60 million investment in expansion on our Auckland site to accommodate our growth. Our new building project, adjacent to our existing facilities, is on schedule and will be operational by the middle of 2006.

In September 2004 we made the decision to subdivide each existing ordinary share into five ordinary shares, to provide additional liquidity in the market for the company's shares. That subdivision was completed in October 2004 and we now have over 500 million ordinary shares on issue.

At the same time, we continued our share buy back programme. As we noted at the initiation of this programme, we believe repurchasing our shares is currently the best use for surplus funds. At 31 March 2005 4,124,635 shares had been acquired at a total cost of NZ\$10.2 million.

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 discussed in this report. 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.

Our consistent performance has its beginnings in our research relationship with clinicians in a number of specialties, both in New Zealand and internationally. 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.

To recognise some of these long-standing relationships, we last year provided NZ\$1 million 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 our long-standing relationships, that have endured for more than 35 years with Auckland's hospitals and clinicians.

The quality of our results and our expectation of further growth are a reflection of the calibre of our people. We thank them all for their contribution and their loyalty. In all parts of our business we have capable, experienced and dedicated employees who are committed to the vision and values described in this report. As a result, our relationships with our distributors, suppliers and clinical partners thrive, and we see growing support and recognition of the benefits of our products from our customers.



Gary Paykel CNZM
Chairman