

Fisher & Paykel Appliances Holdings Limited

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Equity raising by Fisher & Paykel Appliances Holdings Limited

Today Fisher & Paykel Appliances Holdings Limited ("FPA" or the "Company") announced a fully underwritten equity raising to raise a minimum of \$189 million including a pro rata renounceable rights issue and the introduction of a cornerstone shareholder. FPA has also agreed \$575 million of new bank facilities with its existing banking group.

Key points

- Haier Group Corporation ("Haier"), a leading global manufacturer of household appliances and electronic products, to take a stake of 20% in the Company
- Haier and the Company have entered into a Co-operation Agreement setting out the areas where the companies will work together for mutual benefit
- Minimum \$189 million equity raising launched comprising a \$46 million initial placement to new cornerstone shareholder, Haier, and a fully underwritten \$143 million pro-rata renounceable rights issue
- Top up placement to Haier of up to \$12 million to ensure a shareholding of 20%
- Agreement of a new \$575 million debt refinancing package for the Appliances business
- Planned significant debt reduction during FY2010 of approximately \$306 million during FY2010 via equity raising, asset sales and planned inventory reduction

Minimum \$189 million equity raising

The Company is launching a minimum \$189 million capital raising comprising a placement of \$46 million to the Company's new cornerstone shareholder, Haier, a rights issue of \$143 million and a top up placement of up to \$12 million. Details are as follows:

- A \$46 million placement to the new cornerstone shareholder, Haier, representing approximately 17% interest in the Company following the placement, at a placement price of \$0.80 per share;
- A fully underwritten \$143 million pro-rata renounceable rights issue on a 1 for 1 basis, at an issue price of \$0.41 per share. Haier will participate in the rights issue and will also be a sub-underwriter of the rights issue;
- A top-up placement to Haier of up to \$12 million at the rights issue price; and
- The rights issue is fully underwritten by Deutsche Bank AG, Auckland branch and First NZ Capital Securities Limited.

The net proceeds from the capital raising are to be used to reduce debt of the Appliances business, other than \$15 million which will be applied as equity to the Company's Finance business.

Based on its current outlook, the Directors are confident that the proceeds from the capital raising, together with the other debt reduction initiatives being undertaken, will be sufficient to meet the challenges of the current economic climate and the capital needs of the Company.

New cornerstone shareholder

Haier has agreed to subscribe for an initial placement of shares, participate in full in the rights issue in respect of shares acquired under the placement, sub-underwrite a portion of the rights issue and potentially participate in a top-up placement, resulting in an economic ownership of 20% in FPA following all of these transactions.

Haier is a leading global manufacturer of household appliances and electronic products. Its core product categories include refrigerators / freezers, water heaters, washing machines, dishwashers, televisions, mobile phones and personal computers.

The Company will make an initial placement of shares to Haier equivalent to 20% of the shares then on issue (and approximately 17% of the shares after the placement) at a placement price of \$0.80 per share. Those placement shares will be issued "cum rights" and Haier has committed to take up its entitlement in the rights issue in full. In addition Haier will partly sub-underwrite the rights issue. At the completion of the rights issue Haier will be issued shares under a top-up placement, as required, which will result in a shareholding of 20%. The top up placement will occur at the rights issue price of \$0.41 per share and has a maximum possible size of \$12 million. Haier's total investment in FPA will be between \$80 million and \$82 million.

The Company and Haier have also entered into a Cooperation Agreement to work together on a number of initiatives for the benefit of both companies. The Cooperation Agreement is based on the following principles:

- Sharing of market resources;
- Development of superior domestic appliance products and solutions for both companies' customers;
- Undertaking of joint business, corporate and product planning and development on a global basis to leverage, complement and enhance both companies' technical strengths;
- Coordination of both companies' global manufacturing resources to lower production costs; and
- Optimising of the companies' sourcing of finished products, components, materials and machinery with a view to reducing procurement costs.

Specific terms within the Cooperation Agreement agree the following:

- Haier's exclusive marketing and distribution of Fisher & Paykel® brand products in China;
- the Company's exclusive marketing and distribution of Haier® brand products in Australia and New Zealand;
- Sharing of respective market resources and utilisation of Original Equipment Manufacturer (OEM) / Original Design Manufacturer (ODM) services provided by each party in Europe, North America and other markets;
- Coordination and sharing of procurement resources to leverage each party's purchasing competitive advantage to reduce procurement costs;
- Jointly formulating annual development plans and coordination of planning and development work teams with a view to global cooperation;
- Sharing of worldwide manufacturing facilities through extended OEM / ODM arrangements (i.e. Haier manufactured / Fisher & Paykel® branded appliance products or vice versa) and sharing of technical expertise in manufacturing; and
- Cooperation of after-sales services on a global basis.

The FPA Board has agreed to appoint two Haier nominees to the Board.

The Directors are confident that the partnership with Haier is an exciting opportunity for the Company to create significant value for its shareholders.

New bank facility

FPA has reached agreement with its banking syndicate in respect of refinancing the debt facilities of Appliances and its subsidiaries (excluding Finance).

In summary, the renegotiated debt package totals \$575 million and comprises:

- Term loan facility in various currencies aggregating approximately \$290 million equivalent with an expiry date of 30 April 2012 (the Term Loan Facility)
- Multi currency working capital facility of approximately \$50 million equivalent with an expiry date of 30 April 2011 (the Working Capital Facility)
- Letter of credit facility with an expiry date of 5 May 2011 (the LOC Facility)
- Amortising facility in NZD and AUD aggregating \$235 million equivalent with an expiry date of 30 April 2010 (the Amortising Facility)

In addition to requiring a staged reduction in debt levels, the debt package provides the Company with a significant incentive to reduce debt to obtain reductions in interest margins as well as an easing of reporting and financial covenant obligations. In agreeing the debt package all parties accepted that it is important for the Company to retain some flexibility around the necessary steps to reduce outstanding debt and that the targets are achievable.

These facilities are described in further detail in Note 4 to the FY2009 financial statements also released today.

Debt Reduction

As at 31 March 2009, Appliances had total outstanding debt of \$518 million.

Total net debt (excluding Finance) as at 31 March 2010 is estimated to be \$153 million. This estimate is based on the planned debt reduction as detailed in the Offer Document released today and includes:

- The minimum equity raising of \$189 million – with net proceeds (after \$15 million which will be applied to the Company's Finance business) of approximately \$165 million to be used for debt reduction;
- Planned property sales totalling \$106 million with the sale of the Cleveland, Australia site and the sale and leaseback of the East Tamaki, New Zealand property including the \$9 million of proceeds received in April 2009 in respect of surplus land in East Tamaki, New Zealand; and
- Reduction in inventory of \$114 million, comprising utilisation of finished goods stockbuild (approximately \$76 million) expected to be completed by the end of September 2009, and a steady reduction in excess raw materials of approximately \$38 million during FY2010 as the Company adjusts to the current level of output and the benefits of the factory relocations flow through.

Based on the Company's current forecasts, the above debt reduction will result in the following ratios:

- Estimated Group (excluding Finance) total leverage ratio (Net Debt to LTM EBITDA) to 1.1x as at 31 March 2010 (as compared to 3.6x as at 31 March 2009);
- Estimated Group (excluding Finance) interest cover ratio (LTM EBITDA to LTM Net Interest Expense) of 3.7x as at 31 March 2010 (as compared to 4.4x as at 31 March 2009); and
- Estimated total debt to total debt plus equity ratio for the Appliances business of approximately 16% as at 31 March 2010 (as compared to approximately 45% as at 31 March 2009).

About Haier

Haier is a global company and is the Chinese most valuable brand in the world. Haier is a leading global manufacturer of household appliances and consumer electronic products. Its core product categories include refrigerators / freezers, water heaters, washing machines, dishwashers, televisions, mobile phones and personal computers. The company also has a diverse range of other interests including banking, financial services, insurance, software and real estate. The company has over 60,000 employees and operates 16 industry parks worldwide. In 2008 Haier reported sales of approximately RMB122bn (US\$17.5bn) across all its divisions and was an official sponsor of the Beijing Olympic Games.

Haier controls two publicly listed companies, Qingdao Haier Co. Ltd, a company listed on the Shanghai Stock Exchange, and Haier Electronics Group Co. Ltd, listed on the Hong Kong Stock Exchange.

Certain statements in this announcement are statements about future matters and the future financial performance of the Company. Such statements are necessarily based on a number of assumptions and estimates that, while considered reasonable by the Company, are inherently subject to business, economic, competitive and other uncertainties and contingencies, many of which are beyond the control of the Company. As a result, actual results or performance may differ materially from those expressed or implied by such statements. The inclusion of such statements in this announcement should not be regarded as a representation or warranty as to the accuracy of the statements or of the underlying assumptions or estimates.

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