Fisher & Paykel Appliances Holdings Limited

FPA – Financial Result for the Year Ended 31 March 2010

Auckland, NEW ZEALAND, 28 May 2010 – Fisher & Paykel Appliances Holdings Limited today announced its results for the year ended 31 March 2010. The Company reported Normalised Group Profit after Tax of $18.0 million, down on the prior year result of $33.8 million, but within previously announced market guidance of $16.0 million to $23.0 million.

The result reflects a second half recovery for the Appliances' business, notwithstanding a continuation of difficult trading conditions in the U.S. The improvement on the first half result was driven by financial benefits arising from the Global Manufacturing Strategy and market share gains in Australia. Appliances Normalised Operating Profit before Interest and Tax for the second half of the year was $23.7 million compared to $5.7 million for the first half. Appliances full year Normalised Operating Profit before Interest and Tax was $29.4 million.

The Finance business reported a strong result with Full Year Operating Earnings before Interest and Tax of $28.9 million, a 37% increase on the last financial year result of $21.1 million. The improved result was built on higher net margins, overhead containment, and a continued focus on asset quality and credit management.

With the announced Global Manufacturing Strategy now complete, one-off costs associated with the factory relocations amounted to $0.4 million in the second half compared to $15.0 million before tax for the first half.

As foreshadowed in May 2010, additional non-cash charges associated with the impairment of intangible assets ($14.7 million before tax) and tangible assets ($10.8 million before tax), have been recognised in FY2010. Total impairments and fair valuation adjustments for the full financial year amounted to $102.3 million before tax.

Other one-off items included redundancy costs of $8.3 million before tax, debt restructuring costs of $11.1 million before tax and profit on the sale of land and buildings (East Tamaki Lot 1, New Zealand site) of $3.9 million before tax.

After deducting impairments and other one-off items, the Group reported a Loss after Tax of $83.3 million compared to the previous year loss of $95.3 million.

Recent highlights:

- Completion of the Global Manufacturing Strategy with the successful commissioning and ramp up of the refrigeration plant, relocated from Cleveland, Australia to Rayong, Thailand.
- Regained market share in Australia through continuity of supply, increased marketing and price rebalancing as a result of a stronger Australian dollar.
- Expanded U.S. distribution into Sears Hometown stores in November 2009 and DishDrawer into Sears Full Line stores from June 2010. The Company also agreed terms for the resupply of product into Lowe's from May 2010.
- Commenced distribution of Haier products in New Zealand (November 2009) and Australia (April 2010).
- Our strategic partner, the Haier Group, launched the Fisher & Paykel brand in China and opened the first Fisher & Paykel showroom in Hangzhou, China in May 2010.
- Announced plans to restructure distribution arrangements in New Zealand.

- Actual Group Net Debt (excluding operating borrowings for the Finance business) was $173.1 million as at 31 March 2010. This compares favourably with previously announced guidance of Group Net Debt less than $200 million as at 31 March 2010. The Group also reverted to normal banking covenant tests from 31 March 2010.

- Fisher & Paykel Finance Limited obtained a long-term issuer credit rating of 'BB' (Outlook Stable) in February 2010 from Standard & Poor's.

- In May 2010, Fisher & Paykel Finance Limited was accepted to participate in the extended New Zealand deposit guarantee scheme.

Managing Director and Chief Executive Officer, Stuart Broadhurst said, "It has been a difficult year for the Company. The challenges and distractions associated with shifting manufacturing locations are now firmly behind the Company. Going forward the Company is committed to building upon recent gains, executing growth opportunities and developing products for the future."

Demand conditions are expected to remain fragile. Competitor activity is expected to remain intense during FY2011. The Company is well positioned to benefit from revenue growth opportunities including expanding U.S. distribution into Sears and Lowe's, distributing Haier products in New Zealand and Australia and the launch of Fisher & Paykel brand in China. The benefits of a lower manufacturing cost base are likely to be partially offset by competitor activity, rising commodity prices, increasing sea freight charges and lease costs. Labour costs will also increase in FY2011 following the removal of the 5% salary reduction for salaried employees effective 1 April 2010.

The Finance business is expected to remain resilient despite soft retail conditions in New Zealand, although any increase in interest rates will put pressure on FY2011 earnings.

The Company is committed to further reducing net debt levels in FY2011. Both the Cleveland, Australia site and East Tamaki (Lot 2), New Zealand site are planned to be sold with the proceeds used to repay bank debt.

The Directors have decided against issuing profit guidance for the 2011 financial year, at this time. An update on trading and market conditions will be provided at the Annual Shareholders Meeting in August 2010.

Full-year Group result overview:

- Total Group Operating Revenue was $1,164 million.

- Normalised Operating Earnings before Interest and Tax was $58.3 million.

- Normalised Group Profit after Tax was $18.0 million.

- Group Loss after Tax was $83.3 million.

- Group Net Debt (excluding Finance operating borrowings) was $173.1 million.

- Total Leverage Ratio at 2.1 times down from 4.5 times as at 31 March 2009.

- Cash flow from operations was $87.6 million, up from $9.4 million last year.

- Capital expenditure was $31.8 million.

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