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Fisher & Paykel Appliances Half Year Result

Media Release
Friday 26 November 2010

Fisher & Paykel Appliances Holdings Limited announced today a Group net profit after tax of \$11.3 million for the six months ending 30 September 2010, compared to a \$82.4 million loss from the corresponding period last year. In the six months, the Group reported no abnormal costs or asset impairments, compared to \$107 million for the same period last year.

“Our balance sheet position has strengthened, however appliance market conditions remain challenging” said Managing Director and Chief Executive Stuart Broadhurst.

“In spite of weaker market demand, and increased cost pressures, the Appliances business increased its earnings before interest and tax by 18 percent to \$6.8 million relative to last year through operational improvements and foreign exchange effects.”

“The Finance Group produced an outstanding performance, increasing its earnings before interest and tax to the overall result by 52 percent to \$18.9 million.”

Group revenue for the six months fell by 6 percent to \$549.9 million, interest payments reduced by 49 percent to \$9 million and tax expense was \$5.4 million (compared to a \$20.2 million credit last year).

“Debt reduction has been a key priority for the Group, and during the six months our debt declined by \$23.9 million to \$149.2 million. We have successfully reduced debt from a peak of \$502 million in May 2009” said Mr Broadhurst.

“Subsequent to 30 September 2010, we sold the Cleveland site in Australia for NZ\$25 million. The proceeds from this sale were used to retire bank debt. We continue to market our remaining properties in East Tamaki, Auckland.”

Fisher & Paykel Appliances

“Overall weaker demand in the markets in which we operate and foreign exchange movements contributed to Appliances’ revenue declining by 8% to \$478 million” said Mr Broadhurst.

“In local currencies, sales were down 1 percent in North America and 9 percent in New Zealand while in Australia they were up 5 percent. The sale of Haier products in New Zealand and Australia is progressing well, however Fisher & Paykel branded product sales in China have yet to commence.

“We lifted our gross margin on these lower sales by 4% to \$139.1 million through benefits accruing from our global manufacturing strategy and favourable foreign exchange movements which more than offset higher raw materials, sea freight and labour charges.

“We have increased our investment in product development. We were pleased to announce a development agreement for the new compressor refrigeration technology with partners Whirlpool and Embraco. This technology will provide the next leap forward in innovation for the refrigeration industry globally.

“We are moving forward with Haier, the world’s largest white goods manufacturer, and have been selected as their strategic partner to design, develop and manufacture motors for direct drive washing machines. First orders for the new direct drive motor have already been shipped.

“We remain focused on our key strategic imperatives, namely business excellence, delivering customer benefits, quality, organisation capability, disciplined market growth and cost reduction.”

Fisher & Paykel Finance

“In spite of a challenging economic environment and soft retail trading conditions in New Zealand, the Finance Group prospered” said Alastair Macfarlane, Managing Director of the Finance Group.

“Operationally we improved earnings through containing overheads, focusing on asset quality and arrears management.

“High levels of liquidity have been maintained and we have significant committed bank funding facilities which extend for three years. At period end committed bank funding facilities exceeded \$334 million, of which \$121m was un-drawn.

“During the period we achieved a reinvestment rate of 67% on retail debenture investments. Our retail debenture investments retain the benefit of the Crown’s Retail Deposit Guarantee Scheme through to 31 December 2011.”

Outlook

Market conditions are expected to remain challenging and unpredictable in the near term.

Earnings guidance was provided at the 2010 Annual Shareholders Meeting. At that time, the Group estimated full year earnings before interest and tax would be approximately \$78 million. The Board’s expectation is now that Group earnings before interest and tax will be within a range of \$63 million to \$70 million.

The Finance Group’s earnings before interest and tax are now expected to be around \$35 million for the full year.

Given the level of volatility in our key appliance markets, it is difficult for the Company to arrive at a firm view of full year earnings. Based on year to date actual performance and an expectation that the current weak market demand will continue, full year earnings before interest and tax for the Appliances business are now estimated to be between \$28 million to \$35 million.

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About Fisher & Paykel Appliances Holdings Limited

Fisher & Paykel Appliances Holdings Limited is the parent company of Fisher & Paykel Appliances and Fisher and Paykel Finance and is listed on the New Zealand and Australian Stock exchanges, employing over 3,300 staff worldwide.

Fisher & Paykel Appliances was founded in New Zealand in 1934, and develops, manufactures and markets a full range of refrigeration, laundry, dishwashing and cooking products. Fisher & Paykel is an internationally recognised brand and sells its products in over 50 countries. The Company has manufacturing sites in five locations including Thailand, Mexico, U.S, Italy and New Zealand.

Fisher & Paykel Finance is one of the largest consumer finance companies in New Zealand. The Company is a leading provider in New Zealand of retail point of sale consumer finance. Products include consumer finance (Q Card and Farmers Finance Card), insurance services and extended warranties. The company also provides commercial rental and leasing finance to businesses.

Legal Disclosures

Fisher & Paykel Finance Limited (FPF) has a guarantee under the Crown retail deposit guarantee scheme which expires on 31 December 2010. Interest and deposit repayments after 11.59 pm on 31 December 2011 will not be covered by the Crown guarantee. Specific eligibility criteria, a maximum guarantee cap, and terms and conditions apply to the Crown guarantee.

Further information about the Crown guarantee is available on www.treasury.govt.nz.

The Crown guarantee applies to all FPF's debentures other than non-guaranteed debentures ("Excluded Securities"). **Excluded Securities offered by FPF are not covered by the guarantee under the Crown retail deposit guarantee scheme.** FPF's debentures are secured first ranking debentures subject to prior permitted charges (currently none). A copy of FPF's prospectus and investment statement is available on request from FPF.