Fisher & Paykel Appliances Holdings Limited

FPA – Financial Results for the six months ended 30 September 2010

For the six months ended 30 September 2010 the Group reported a normalised profit after taxation of $11.3 million compared to a normalised loss after taxation of $0.8 million in the previous corresponding period. The Group made progress during the first six months of the financial year. The balance sheet continues to strengthen, however appliance market conditions remain challenging.

Despite weaker market demand and increased cost pressures, the Appliances business increased its earnings before interest and tax from $5.7 million to $6.8 million relative to last year through operational improvements and foreign exchange effects. The Appliances business absorbed higher costs during the period, including lease costs associated with the sale of the East Tamaki lot 1 site in October 2009.

Appliances' gross margin increased by 4% to $140.8 million. This was due to benefits accruing from the global manufacturing strategy and currency, offsetting higher raw material, sea freight and labour costs. The result also reflects reinvestment in marketing and product development for the longer term.

The Finance business reported a strong result with operating earnings before tax of $18.9 million, a 52% increase on the half result for last year of $12.4 million. The improved result was built on higher net margins, overhead containment and a continued focus on asset quality and credit management.

Interest charges (excluding Finance operating interest expense) decreased by 49% from $17.7 million to $9.0 million due to lower debt levels.

Group profit after tax was $11.3 million compared to a loss of $82.4 million for the period ended 30 September 2009. As predicted at the Annual Shareholders Meeting in August 2010, no abnormal items were recorded during the period, compared to $107 million in one-off costs, asset write downs and impairments for the previous corresponding period.

Cashflow from operations, before the movement in loans to Finance business customers, was $63.7 million for the half year compared to $17.9 million for the previous corresponding period.

Excluding operating borrowings for the Finance business, net bank debt as at 30 September 2010 was $149.2 million compared to $173.1 million as at 31 March 2010.

The sale of substantially all of the Cleveland, Australia site was completed post balance date. Net proceeds from the sale (NZ$25 million or A$19.1 million) were immediately applied to reducing bank debt.

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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