Fisher&Paykel appliances

Fisher & Paykel Appliances Holdings Limited

FY2010 Result

12 months period ended 31 March 2010

28 May 2010

Important Notice

Fisher&Paykel appliances

Disclaimer:

This FY2010 result presentation, dated 28 May 2010, provides additional comment on the New Zealand stock exchange release (and Australian stock exchange) of the same date. As such, this presentation should be read in conjunction with and subject to the explanations and views of future outlook on market conditions, earnings and activities, given in that release.

All financial information in NZ$ (unless otherwise stated).

FY2010 Review

Fisher&Paykel appliances

- **Group earnings**
  - Difficult market conditions for Appliances
  - Global manufacturing strategy / recapitalisation
  - Second half recovery in Appliances; strong Finance Group result
- **Operational improvements**
  - Management restructure
  - Global Manufacturing Strategy complete
  - Haier relationship progressing well
- **Product distribution**
  - Haier products in New Zealand and Australia
  - Showroom opened in Hangzhou, China
  - Expanded U.S. distribution
  - Restructured New Zealand EDA
- **Group net debt position**
  - Net debt reduced from $459m to $173m as at 31 March 2010
  - Improved cashflow position
- **Finance Group**
  - Lower interest costs, cost containment and prudent credit and arrears management
  - Fisher & Paykel Finance Limited – 'BB' Stable Outlook rating from Standard & Poor's
  - Extended New Zealand deposit guarantee scheme

FY2010 Group Result Summary

Fisher&Paykel appliances

- Group Revenue for FY2010 was $1,164m, down 15% on $1,370m in FY2009
- Normalised Group EBIT for FY2010 was $58.3m, down 24% on $76.7m in FY2009
- Normalised Group Profit after tax was $18.0m – within market guidance of $16.0m–$23.0m

NZ$m	March 2010 12 months	March 2009 12 months	Change
Revenue	1,164	1,370	(15%)
Normalised EBITDA	104.4	135.1	(23%)
Normalised EBIT	58.3	76.7	(24%)
Normalised Profit After Tax	**18.0**	**33.8**	(45%)
Abnormal items	(137.1)	(148.2)	
Reported Profit After Tax	**(83.3)**	**(95.3)**	
Earnings per share (cents)	(13.6)	(33.1)	
Dividends per share (cents)	-	5.0	

FY2010 Segmented Results

Fisher&Paykel appliances

NZ$m	March 2010 12 months	March 2009 12 months	Change
Revenue (including other income)			
– Appliances	1,027.9	1234.5	(17%)
– Finance	136.1	135.8	+0.3%
Total	**1,164**	**1,370**	
Normalised EBIT			
– Appliances	29.4	55.6	(47%)
– Finance	28.9	21.1	+37%
Total	**58.3**	**76.7**	

Abnormal Items

Fisher&Paykel appliances

- Total abnormal items amounted to $133.2m before tax
  - One-off costs associated with implementing Appliances' Global Manufacturing Strategy amounted to $15.4m before tax
  - Non cash impairment and Fair valuation adjustments amounted to $102.3m before tax
- Second half impairment adjustments amounted to $25.5m before tax
  - Elba brand ($14.7m), Reynosa refrigeration ($7.5m) and East Tamaki Lot 2 ($3.3m)

NZ$m	March 2010 12 months	March 2009 12 months
Global Manufacturing Strategy Costs	(15.4)	(66.6)
Redundancy Costs	(8.3)	(2.7)
Debt Restructuring Costs	(11.1)	(2.5)
Impairment Losses	(76.5)	(69.7)
Fair Valuation Adjustments (Barter Credits, Inventory Obsolescence)	(21.7)	-
Fair Valuation Adjustments of Non-current Assets held for sale (East Tamaki site)	(4.1)	(6.7)
Profit on Sale of Land & Buildings	3.9	7.1
Total Abnormals	**(133.2)**	**(141.1)**

Appliances – Second Half Improvement

Fisher&Paykel appliances

- Normalised EBIT was $23.7m compared to $5.7m in the first half
- Operating margin was 4.7% in the second half compared to 1.1%

NZ$m	March 2010 6 months	Sept 2009 6 months
Revenue	509.4	518.5
Costs associated with implementing the Global Manufacturing Strategy	(0.4)	(15.0)
Normalised EBIT	23.7	5.7
Reported EBIT	(6.4)	(97.4)
Operating margin (1)	4.7%	1.1%

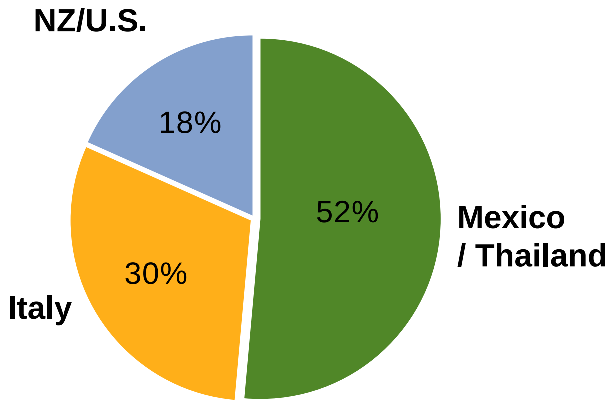
(1) Normalised EBIT to Revenue

Global Manufacturing Strategy

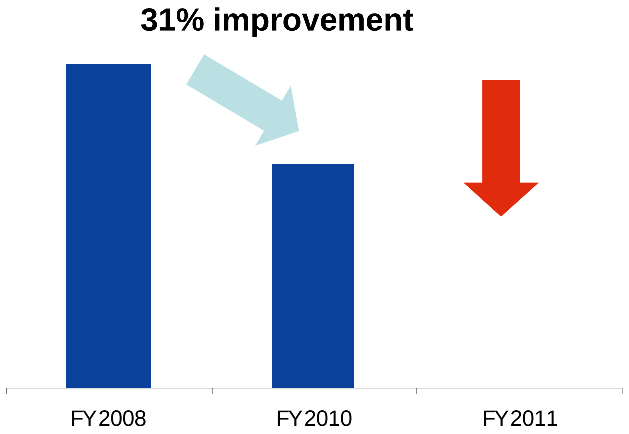
Fisher&Paykel appliances

- Global Manufacturing Strategy completed
- Production in LCCs ~ 52%
- No plans to shift New Zealand manufacturing in FY2011
- Conversion cost benefits reflected in FY2010 result
  - Full year impact in FY2011

Production by location



Conversion cost per unit



Haier – Strategic Partnership

Fisher&Paykel appliances

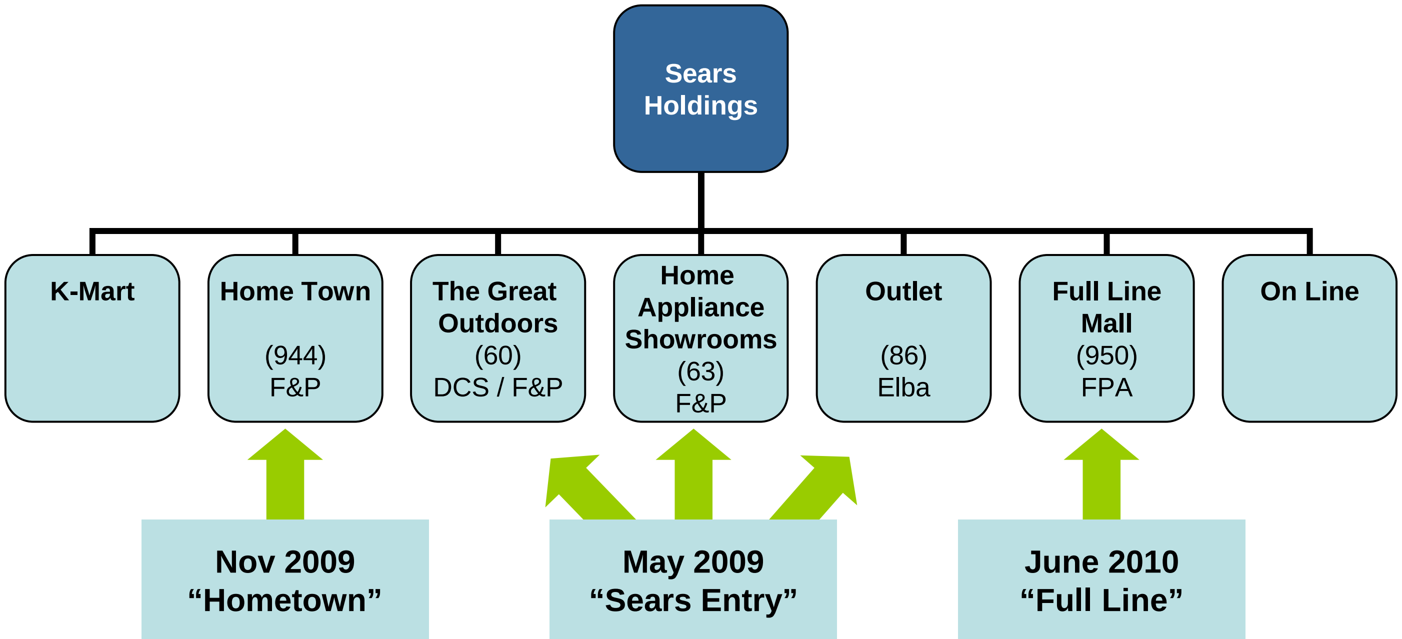
- **Relationship progressing well**
- **Distribution of Haier products New Zealand & Australia**
  - New Zealand – November 2009
  - Australia – April 2010
  - Advertising campaign – June (NZ) and July (Aus)

- **Fisher & Paykel Brand in China**
  - Luxury brand position
  - Hangzhou showroom opened on 23 May
  - Beijing, Shanghai, Guangzhou (12 - 24 months)
- **Procurement**
  - FY2010 – $0.4m annualised benefits
  - Project underway – $2.6m annualised
- **Work continues on other projects**

U.S. Distribution

- **U.S. distribution business reviewed in FY2010**
  - Staff levels and cost base realigned for expected sales
  - Further cost savings – exit leases and optimise logistics
  - Raw material supply localisation in Mexico

- **Distribution strategy developments**
  - May 2010 – Laundry back into Lowe’s
  - June 2010 – DishDrawers into 500 Sears ‘Full Line’ Stores



New Products

- "Wide" 90cm DishDrawer
- Energy efficient refrigeration
- 60cm wall oven
- Cooktops

New Products

- **United product suite “DCS brand”**
  - Ranges
  - Ovens
  - Pro cooktops
  - Drop in cooktops
  - Side-by-Side Refrigeration

New Zealand Distribution

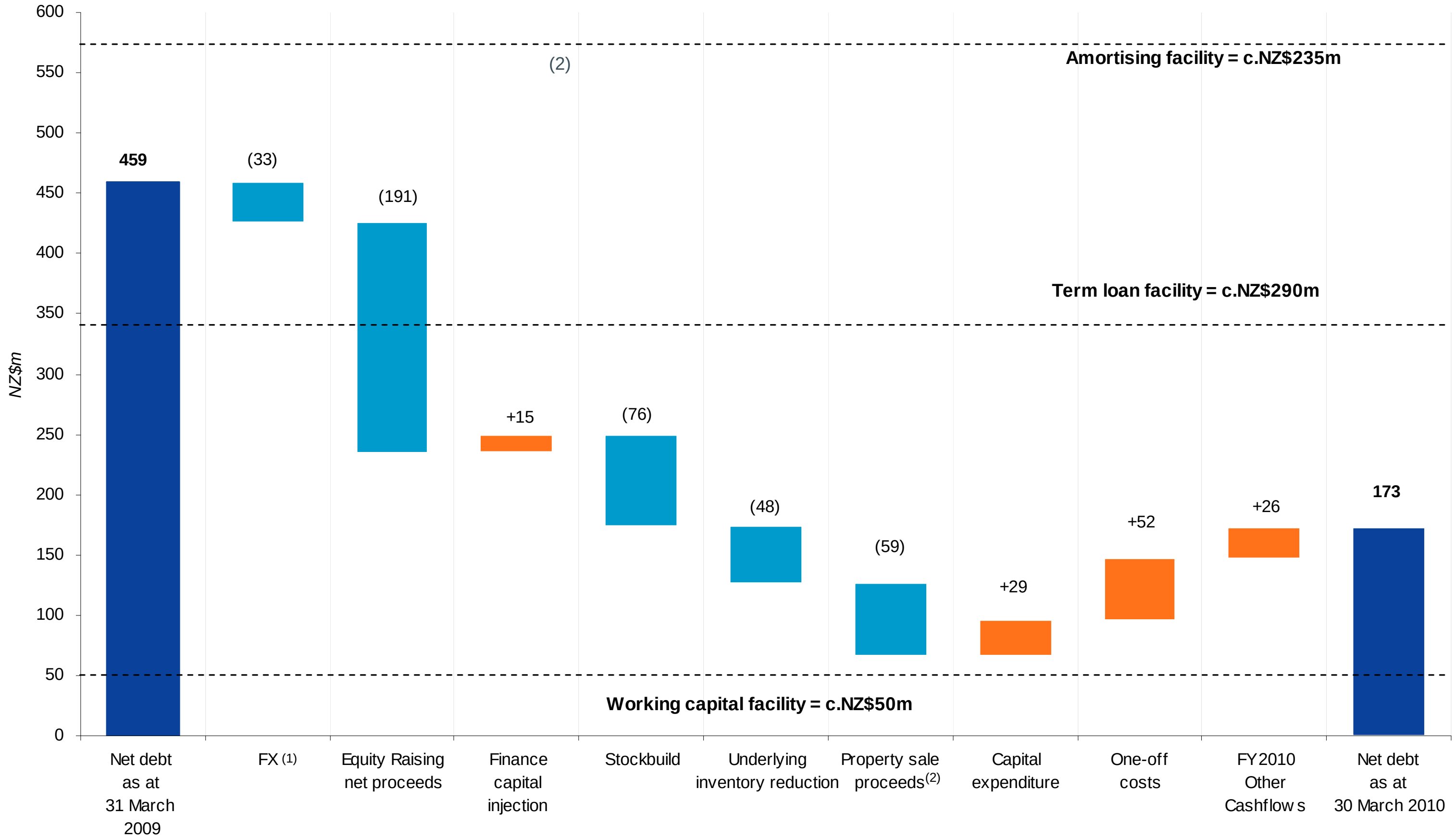
Fisher&Paykel appliances

- **New Zealand EDA change – 1 July 2010**
  - Terms of trade agreed
  - Implementation well advanced
- **Increases potential distribution footprint**
  - Targeting new channels including specialist kitchen providers
- **Shift to a two-tier brand strategy in New Zealand**
  - Mid to premium end – consumers want “Fisher & Paykel”
  - Value segment – “Haier” brand
  - Elba brand scaled back – selected channels only
- **Whirlpool distribution ceased from 1 April 2010**
- **Earnings impact expected to be immaterial in FY2010**

Group Net Debt Position

Fisher&Paykel appliances

- Group net debt reduced from $459m to $173m as at 31 March 2010
- Debt reduction achieved – equity raising, property sales and inventory reduction
- Cleveland, Australia and East Tamaki, Auckland properties continue to be offered for sale



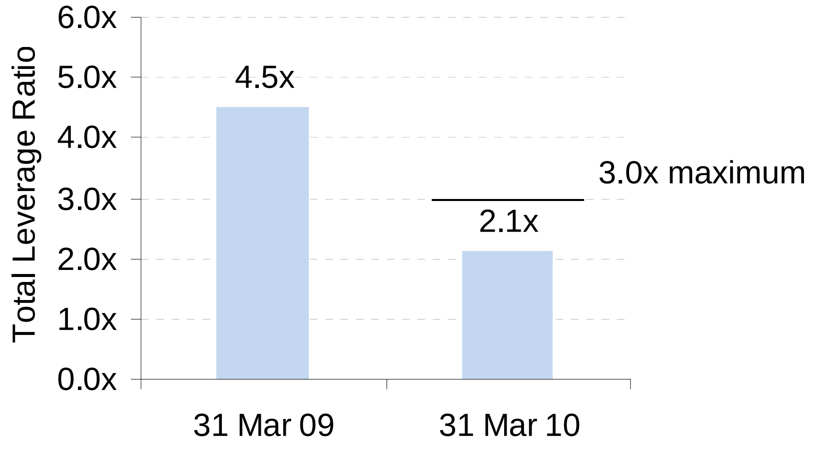
(1) *FX impact on debt balance*
(2) *Sale of Surplus Land (East Tamaki) $10m and East Tamaki (Lot 1) $49m*

Banking Covenants

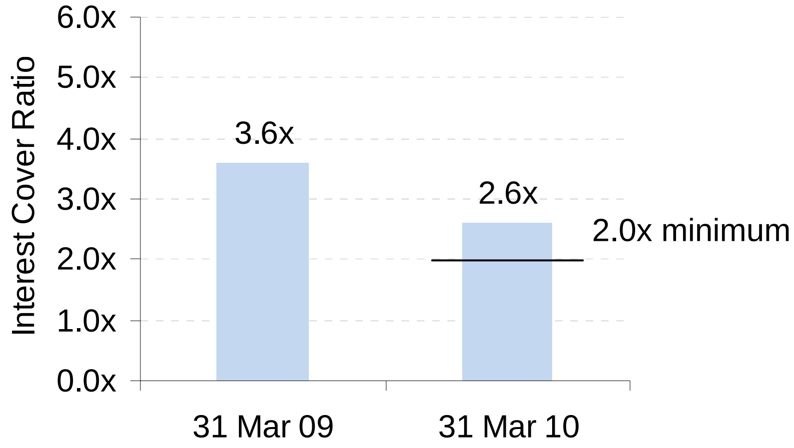
Fisher&Paykel appliances

- All bank covenant tests met in FY2010
- Amortising loan ($235m) repaid six months early
- On 29 March 2010 the Banking Group agreed to:
  - Dispense with the Budget Performance Ratio test as at 31 March 2010
  - Reinstate a Total Leverage Ratio test to apply from 1 March 2010 (tested monthly)

Total Leverage Ratio(1)



Interest Cover Ratio(2)



Note: (1) Guaranteeing Group net debt / LTM normalised EBITDA. LTM EBITDA includes interest and dividends received from Finance and is normalised in accordance with the Company's banking arrangements

(2) LTM normalised EBITDA / net interest expense. The minimum ratio steps up to 2.5x from 1 April 2010 and to 3.0x from 1 October 2010

FY2010 – Finance Group Review

Fisher&Paykel appliances

- **FY2010 Financial performance**
  - EBIT up 37% to $28.9m
  - Lending margin up 1.5%, Net income up 9.7%
  - Interest expense reduced by $12.2m due to lower interest rates
  - Operating expenses and bad debt expense held at FY2009 levels
  - Maintained tight credit and arrears management
- **Receivables growth**
  - Q Card receivables up 16%
  - Completed $22m acquisition of consumer receivables
- **Funding**
  - Diversified funding mix maintained
  - Liquidity preserved
  - Strong customer cashflow
  - Accepted to participate in the Crown's extended New Zealand deposit guarantee scheme
- **Rating status**
  - Achieve long term issuer credit rating of 'BB' (stable outlook)
  - Maintained Insurance Business rating A- excellent
  - Maintained A1+ rating for CP programme

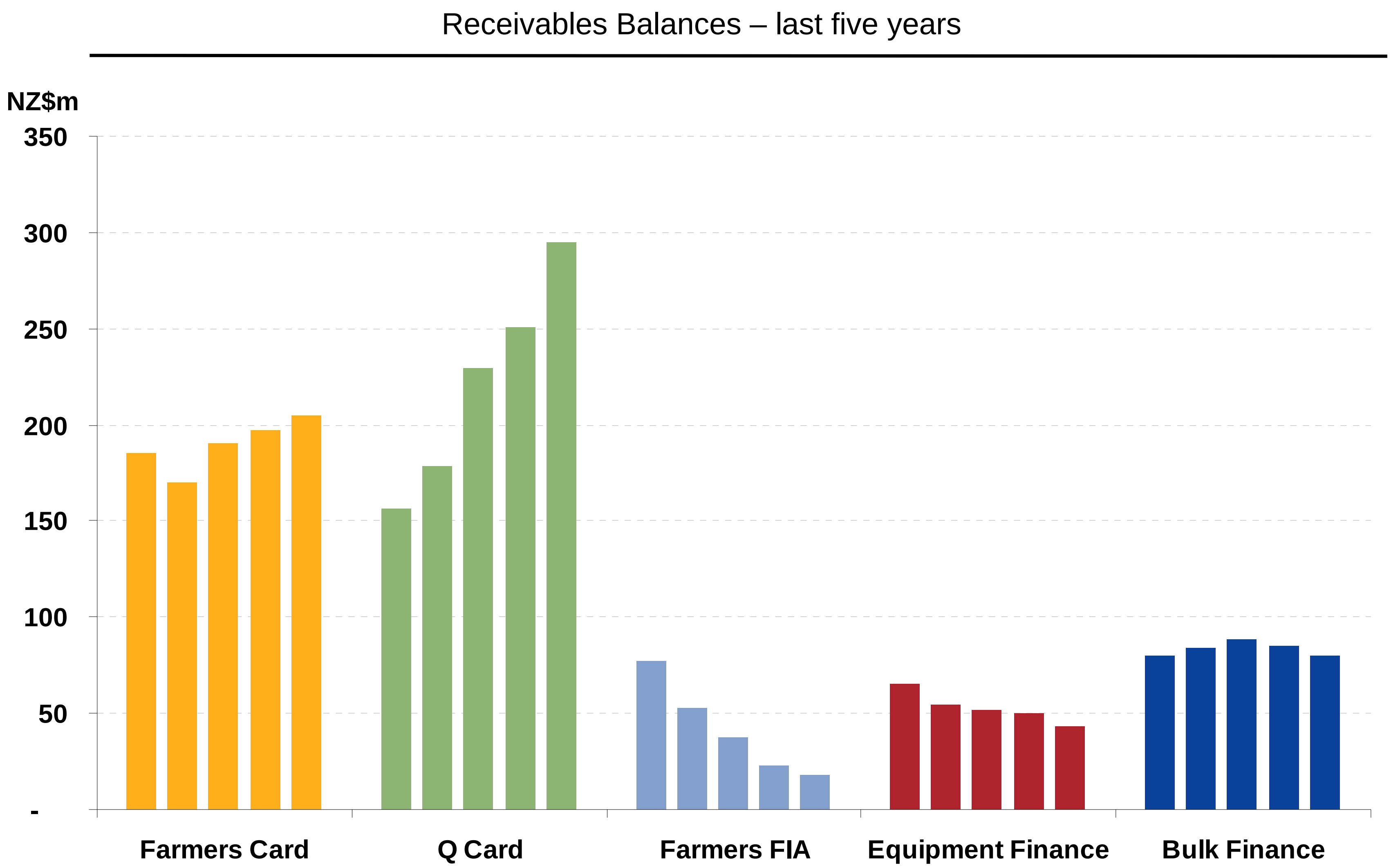
FY2010 Result

Fisher&Paykel appliances

- Reported EBIT was $28.9m representing an increase of $7.8m from FY2009
- ‘BB’ stable outlook rating led to a net refund of 1% under the Crown Guarantee Scheme

NZ$m	March 2010 12 months	March 2009 12 months	Change
EBITDA	37.0	29.0	27.6%
EBITA	36.4	28.3	28.6%
Reported EBIT	28.9	21.1	37.0%
NPAT	15.6	9.4	66.0%
Dividends (normalised)	10.6	7.8	35.9%

Receivables Balance

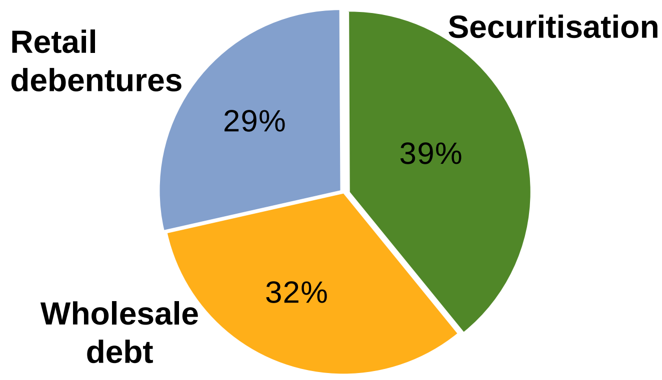


Funding

Fisher&Paykel appliances

- **Diversified funding and liquidity maintained**
- **Retail debentures**
  - Six month reinvestment rate ~63% (April ~80%)
- **Securitisation**
  - Stand-by facility increased by $35m to $285m
  - Surplus liquidity ~$70m
- **Wholesale debt**
  - Surplus liquidity of $158m in FPF (NBDT)
  - Cover equal to 40% receivables / 101% debentures
- **Shareholders funds**
  - Investment in Finance Group $199m (includes a capital injection of $15m in FY2010)
  - Surplus capital in NBDT ~$10m (as per Reserve Bank of New Zealand draft regulations)
  - NBDT approved to participate in extended NZ deposit guarantee scheme to 31 December 2011

External debt funding mix

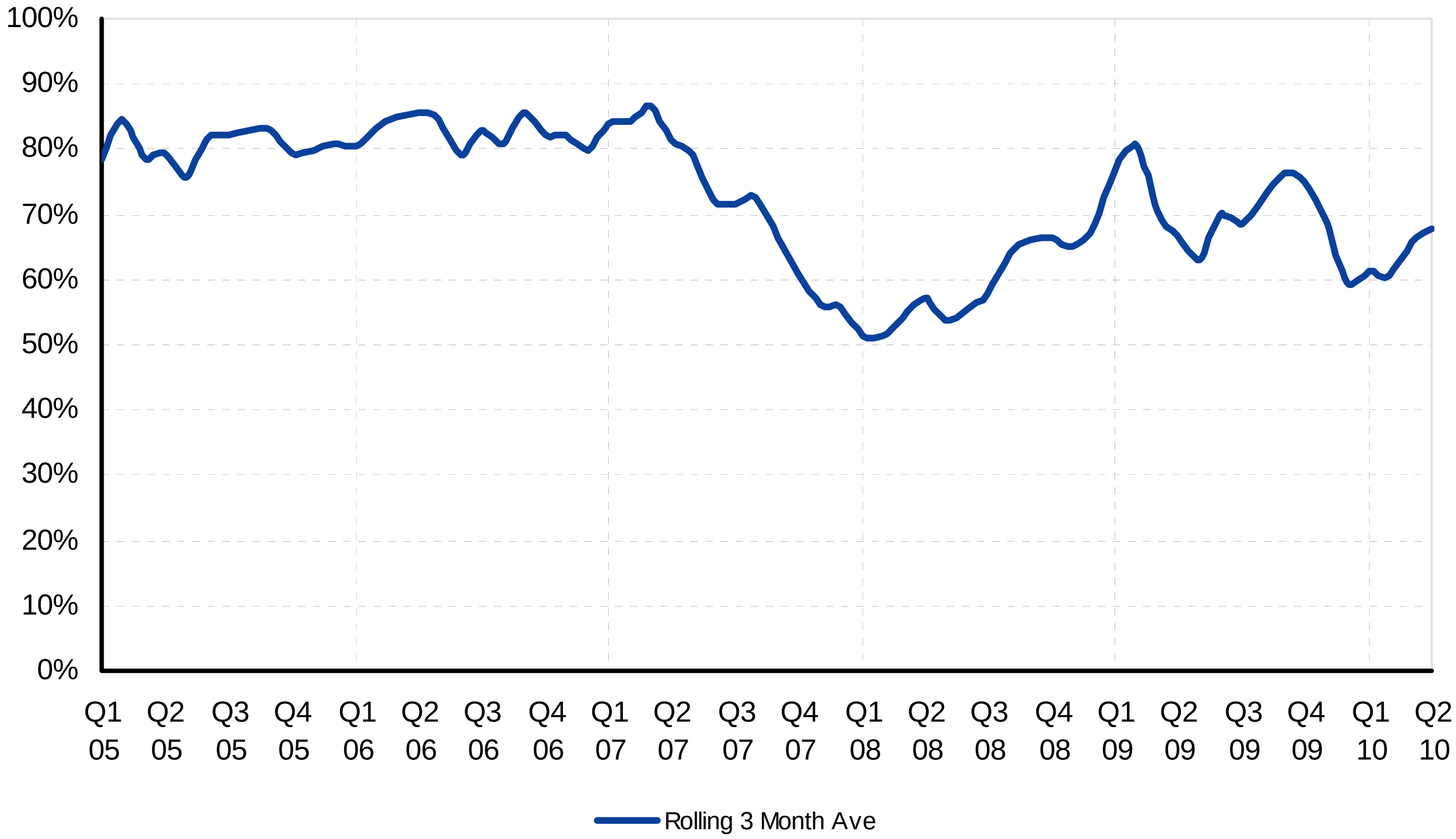


NZ$m	Unutilised Capacity	March 2010 12 months	March 2009 12 months
Securitisation (capacity May 2010 $285m)	70	215	215
Banks (facilities $335m)	158	177	123
Retail Debentures		157	203
Total External Debt		**549**	**541**

Debenture Reinvestments

Fisher&Paykel appliances

Debenture reinvestment rates – 3 month rolling average



FY2011 Outlook

FY2011 Outlook – Appliances

Fisher&Paykel appliances

- **Global Manufacturing strategy – complete**
- **Market conditions**
  - Expected to remain fragile
  - Competitor activity to remain intense
- **Key priorities**
  - Execute growth opportunities – expanded U.S. distribution, New Zealand distribution change, Haier in New Zealand and Australia and F&P brand in China
  - Consolidate low cost manufacturing position; raw material localisation
  - Product development
  - Continue operational improvements
  - Deliver on cost down programme
- **Facing cost headwinds**
  - Raw materials, increasing sea freight charges, lease costs (post sale of East Tamaki site) and labour costs
  - Brand reinvestment **Capital expenditure – c. $33m in FY2011**
- **Commitment to further reduce Group net debt – properties continued to be offered for sale**

FY2011 Outlook – Finance Group

- **Expected to remain resilient despite soft retail conditions**
  - Any increase in interest rates will pressure earnings
- **Operations**
  - Continued focus on core 'point of sale' consumer credit
  - Continue robust credit origination and collection procedures
  - Maintain tight cost control
- **Growth of diversified receivables portfolio**
- **Maintain liquidity and diversified funding sources**
  - Maintain surplus / undrawn credit lines
  - Guaranteed and non guaranteed debenture offerings
  - Strengthen capital base
- **Continue sound corporate governance and standards**

Appendix 1: Appliances

Appliances – FY2010 Results

Fisher&Paykel appliances

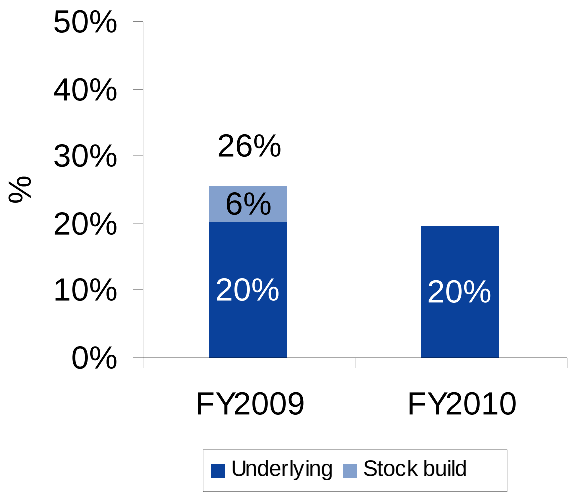
NZ$ millions	March 2010 12 months	March 2009 12 months	% change
Operating Revenue	1,021.0	1,222.6	
Normalised EBIT	**29.4**	**55.6**	
- Global Manufacturing Strategy Costs	(15.4)	(66.6)	
- Redundancy Costs	(8.3)	(2.7)	
- Debt Restructuring Costs	(11.1)	(2.5)	
- Impairment Losses	(76.5)	(69.7)	
- Fair Valuation Adjustments (Barter Credits, Inventory Obsolescence)	(21.7)	-	
- Fair Valuation Adjustments of Non-current Assets held for sale (East Tamaki site)	(4.1)	(6.7)	
- Profit on Sale of Land & Buildings	3.9	7.1	
Reported EBIT	**(103.8)**	**(85.5)**	
Operating Margin(1)	2.9%	4.5%	
Assets Employed	**858.1**	**1,232.2**	
Normalised Return on Assets(2)	5.1%	4.5%	

(1) Normalised EBIT to Revenue
(2) Normalised EBIT to Net debt and shareholders funds less investment in Finance Group

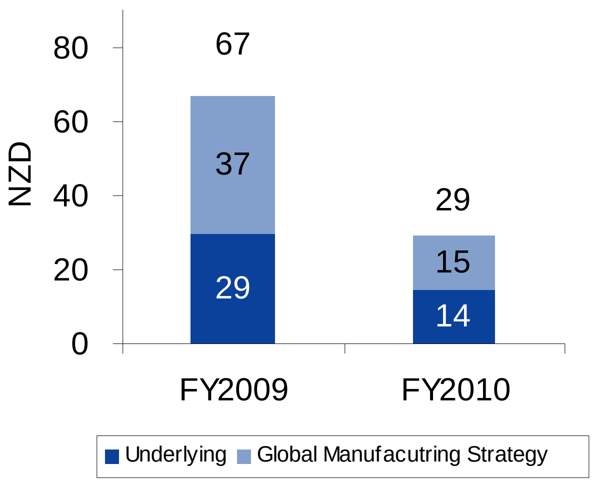
Appliances – Working Capital & Capex

- **Working capital**
  - Strong inventory reduction in FY2010 ($124m on a net cash flow basis)
    - Inventory as % sales down from 20.7% to 17.8%
  - Debtors at FY2009 levels
  - Creditors down $25m to $125.6m
- **Capital expenditure**
  - Appliances capital expenditure was $29.7m in FY2010
  - $14.9m related completing the refrigeration building in Thailand

Working Capital to Revenue (%)



Capital Expenditure

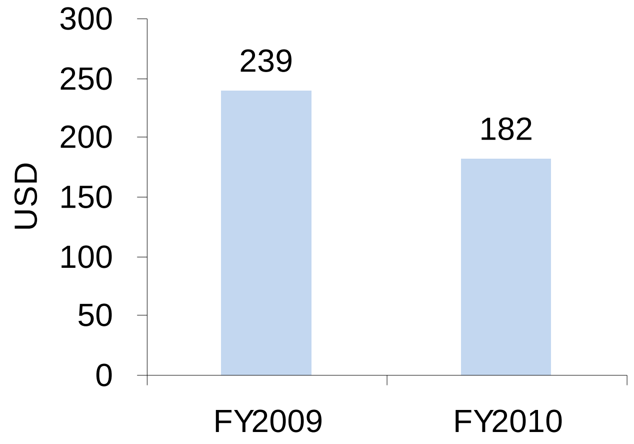


Market Review – North America

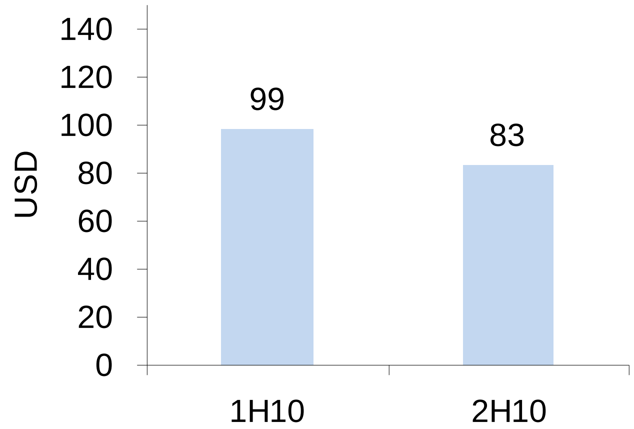
Fisher&Paykel appliances

- Premium segment remained depressed
  - Mass market improvement in Q4
- Second half reflects
  - Seasonal mix differences
  - Premium segment remained subdued
- Revenue down 24% in FY2010
  - Strong competitor activity
  - Loss of major customer volumes
  - Lower DCS sales

Revenue – Full year



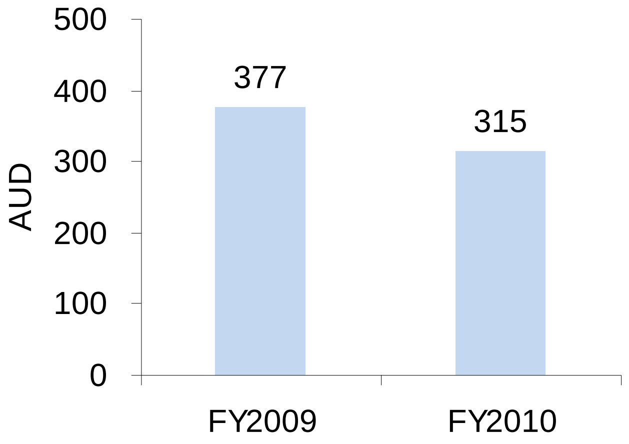
Revenue – 1H10 / 2H10



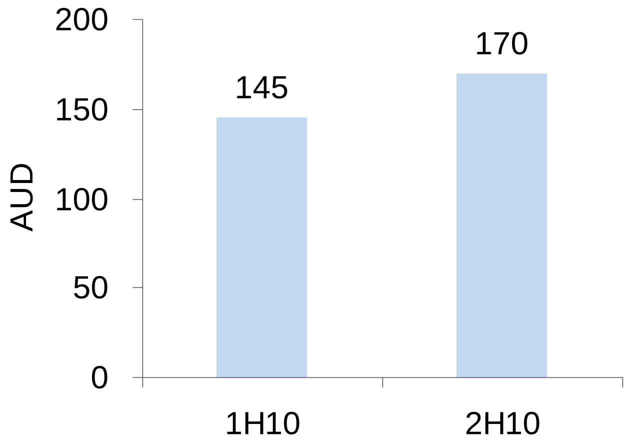
Market Review – Australia

- Market contracted by 6%
  - Sharp drop post Christmas
- Market share regained in the second half
  - Continuity of supply
  - Increased marketing
  - Price rebalancing due to strong AUD
- Revenue down 16%

Revenue – Full year



Revenue – 1H10 / 2H10

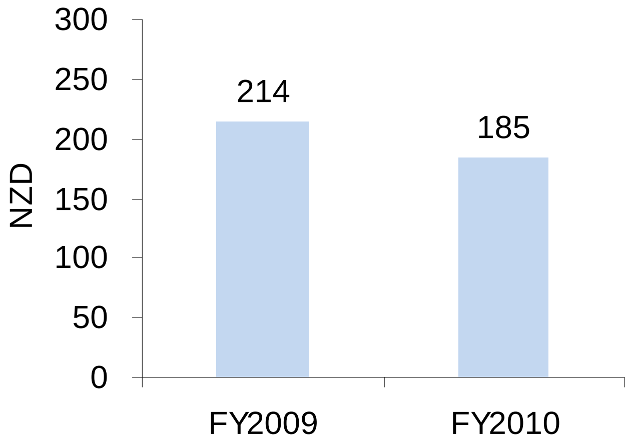


Market Review – New Zealand

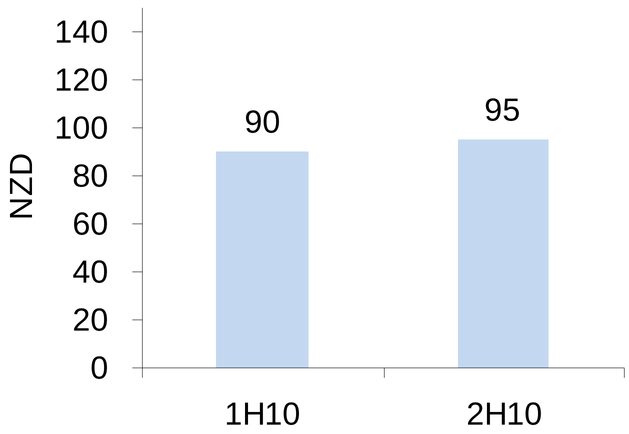
Fisher&Paykel appliances

- Market contracted by 9%
  - Sharp drop post Christmas
- EDA market share 45% - 50% range
- Distribution of Haier product from November 2009
- Ceased distribution of Whirlpool product from 1 April 2010
- Revenue down 14% in FY2010

Revenue – Full year

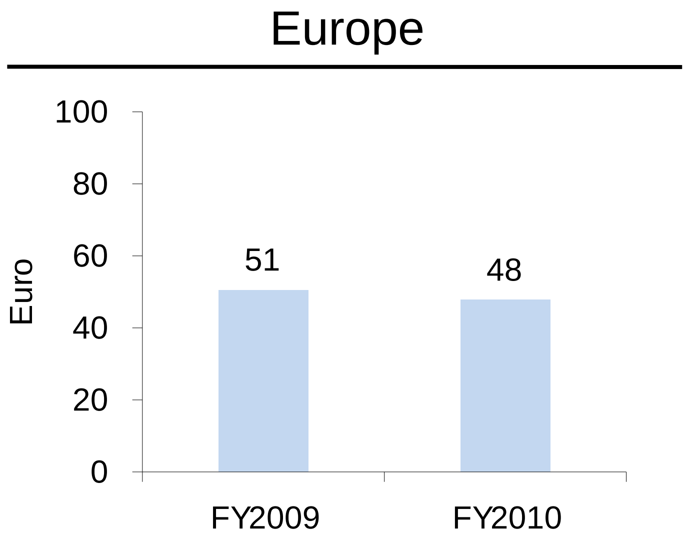


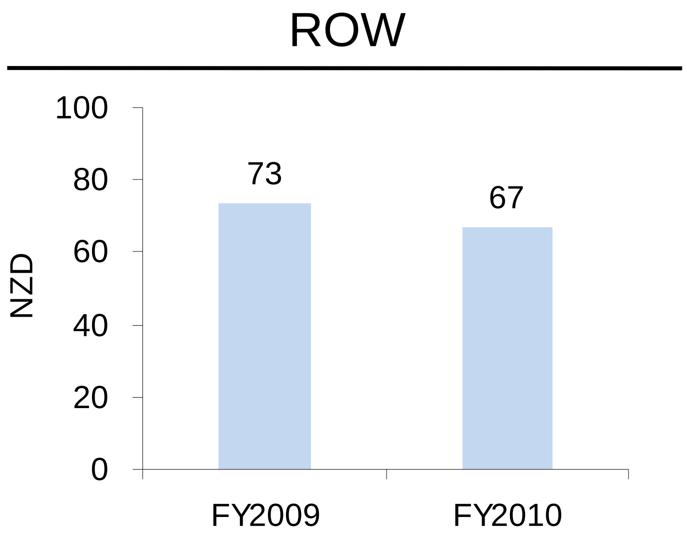
Revenue – 1H10 / 2H10



Market Review – International

- European sales down 5%
  - A strong U.K. result impacted by a weaker British pound
- Rest of world markets down 9%





Appendix 2:
Finance Group

Finance Group Earnings Details

Fisher&Paykel appliances

- Interest income was $108.2m, a decline of $3.2m compared to $111.3m in FY2009
- Interest expense decreased by $12.2m on lower interest charges
- Operating expenses and bad debt expense were maintained at FY2009 levels

NZ$m	March 2010 12 months	March 2009 12 months	Change
Interest Income	108.2	111.3	(3.1)
Interest Expense	(38.8)	(51.0)	12.2
Other Income	20.7	21.8	(1.1)
Net Income	**90.1**	**82.1**	**8.0**
Operating Expense	(33.6)	(33.1)	(0.5)
Bad Debt Expense	(19.5)	(20.0)	0.5
Depreciation	(0.6)	(0.7)	0.1
EBITA	**36.4**	**28.3**	**8.1**
Amortisation	7.5	7.2	(0.3)
EBIT	28.9	21.1	7.8

Finance Group Key Ratios

Fisher&Paykel appliances

	March 2010 12 months	March 2009 12 months	Change
Net Margin	**10.6%**	9.1%	1.5%
Cost to Income Ratio	**37.5%**	40.1%	2.6%
Bad Debt Expense Ratio (P/L)	**3.2%**	3.3%	0.1%
Gross Receivables ($m)	**641**	610	31
EBITDA to Funds	**19.2%**	15.5%	3.7%
Return on Equity	**16.2%**	12.2%	4.0%

Balance Sheet Receivables

Fisher&Paykel appliances

NZ$m	March 2010 12 months	March 2009 12 months
RFS Consumer (Farmers Finance Card)	223	220
FPF Consumer (Q Card)	295	255
Bulk Funding	80	85
Total Consumer	**598**	**560**
Commercial Finance	43	50
	641	**610**
Less Provisions	(25)	(23)
Net Receivables	**616**	587
Provisioning Ratio	4.0%	3.7%