# Fisher & Paykel Appliances Holdings Limited

## FPA – Financial Results for the six months ended 30 September 2011

The Group reported net profit after taxation of $0.98 million compared to $11.3 million in the previous corresponding period.

The result included two one-off adjustments related to an onerous lease (Appliances business) of $2.5 million before tax and litigation costs (Finance business) of $5.9 million before tax. Total one-off adjustments for the period were $8.5 million before tax (Nil for the same period last year).

Adjusting for these one-off items resulted in a Group normalised net profit after taxation of $6.9 million compared to $11.3 million in the previous corresponding period.

Net bank debt as at 30 September 2011 was $94 million compared to $100 million as at 31 March 2011, excluding operating borrowings for the Finance business. Group Interest charges, excluding Finance operating interest expense, decreased by 40% from $9.0 million to $5.4 million due to lower debt levels.

Cashflow from operations, before the movement in loans to Finance business customers, was $50 million for the half year compared to $64 million for the previous corresponding period. Group capital expenditure for the period was $24.2 million compared to $11.4 million last year. This related to component & technology contracts and new product development.

The Appliances business reported a loss before interest and tax of $4.9 million compared to earnings before interest and tax of $6.8 million last year. The result included a one-off adjustment related to an onerous lease of $2.5 million before tax. On a normalised basis the Appliances business reported a loss before interest and tax of $2.4 million compared to earnings before interest and tax of $6.8 million last year. The Appliances result reflects the impact of transactional hedging losses, which during the period were $20.3 million, and challenging trading conditions.

Appliances' gross margin increased by $0.9 million to $140.0 million due to an improved product mix, lower warranty costs and favourable currency translation, despite an increase in raw materials costs. Overheads decreased by $7.7 million from $116 million to $108 million on favourable currency translation and cost savings, in particular in North America.

The Finance business reported a solid result despite softer New Zealand retail conditions with reported operating earnings before tax of $12.5 million, compared to $18.9 million for the same period last year. The result includes a one-off adjustment related to litigation costs of $5.9 million before tax. On a normalised basis the Finance business reported operating earnings before interest and tax of $18.4 million compared to $18.9 million last year. The result reflects steady net income and lower bad debts offset by higher funding and operating costs.

In respect of litigation costs, a case was recently heard in the High Court at Auckland, New Zealand and a judgement on the issue is expected before 31 December 2011. There are complex legal issues and a range of possible outcomes. Accordingly, the Directors' considered it is now prudent to make a provision given this uncertainty. This amount, together with legal costs incurred, has been reported as litigation costs in the Interim Financial Statements.

### Outlook

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

The second half of the year has traditionally provided the majority of the full year earnings for the Appliances business. The Board remains concerned about macro economic conditions in our key markets, in particular Australia, and it is unclear how the volatile conditions in Europe will impact Australasia. The Finance business is expected to continue to experience soft retail conditions in New Zealand, but with only a marginal impact on normalised earnings.

The Board's view is that normalised operating earnings before interest and tax for the Group will be around $42 million, comprising Appliances at around $10 million and Finance at around $32 million. Adjusting for abnormal items (onerous lease & litigation costs) of $8.5 million as at 30 September 2011 implies a full year Group reported operating earnings before interest and tax of around $33.5 million.

As with any outlook, this excludes the impact of events that are not presently known to the Board that may occur over the remainder of the year.

Due to an increase in growth related capital expenditure for the coming year and a cautious approach to future market conditions, the Company has resolved not to declare a dividend at the half year.

**ENDS**

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