Fisher & Paykel Appliances Holdings Limited

FPA – Financial Result for the Year Ended 31 March 2011

Fisher & Paykel Appliances Holdings Limited announced today an audited Group net profit after tax of $33.5 million for the financial year ending 31 March 2011. This result compares to a loss of $83.3 million for the previous year.

The improved result was attributed to improved operations, lower interest costs and the Group not having substantial abnormal charges compared to the previous year.

Cashflow from operations, before the movement in loans to Finance Group customers, improved to $113 million for the full year compared to $88 million last financial year.

Net debt was reduced by $73 million to $100 million, due to strong operating cashflows and property sales. Interest costs were down 46% to $15.4 million.

Group revenue at $1.12 billion declined 4%.

The Appliances business reported normalised operating earnings before interest and tax for the full year of $23.7 million, 71% of those earnings being achieved in the second half. Last year's full year earnings before interest and tax was $29.4 million.

The Finance business reported another strong result with full year earnings being up 20% to $34.7 million.

The Company has not declared a dividend for the 2011 financial year due to an increase in growth related capital expenditure for the coming year and a cautious approach to credit markets.

APPLIANCES

Appliances' earnings were at the upper end of the forecast range of $15 to $25 million.

The Company experienced challenging trading conditions in North America and sales were lower in New Zealand during the transition to new distribution arrangements. These factors offset an improved sales performance in Australia.

During the past 12 months market share grew in Australia and New Zealand market share returned to pre March 2010 levels. This is continuing to grow.

Higher sales volumes were offset by price reductions, which lead to a 5.5% reduction in operating revenues.

Significant progress on quality and operational improvements has been achieved during the year. The business has invested in the brand, marketing, new product development and quality control processes.

Gross margin on sales increased by 2% to $292 million due to lower warranty costs. Gross margin as a percentage of sales increased from 27.9% to 30.3%.

The business is focused on delivering appliances of the highest quality and reliability.

The Company has continued to make good progress in strengthening the relationship with Haier, including the signing of a long term technology supply agreement in February 2011. This contract will generate revenues of between $20 million and $35 million per annum. Earnings are expected to commence in the first quarter of the 2013 financial year.

Sales of Fisher & Paykel branded products in China have commenced, however delays in product approvals for certain products including gas cooktops, has resulted in sales being slower than expected. In addition, the full range of Fisher & Paykel branded products for China will not be completed until December 2011.

The business has laid the foundation for future growth and we continue to explore further opportunities to leverage our technology capabilities. This includes the development of our new compressor technology, which is 35% more energy efficient than existing technology. Field trials have commenced.

FINANCE GROUP

The Finance business delivered a result in line with full-year guidance.

This was an excellent result in the current market with earnings up 20% on the previous year. The result was built around focusing on asset quality, credit management and overhead containment.

The New Zealand retail market remained difficult. We also made a $2 million provision for receivables potentially impacted by the Canterbury earthquakes.

The Q card product has experienced strong growth and now has more than 177,500 active cardholders and is accepted at more than 7,550 retail outlets nationwide.

A further highlight was our three month rolling retail debenture reinvestment rate holding at 60%.

OUTLOOK

Market conditions for Appliances are expected to remain challenging over the coming year. Top-line growth opportunities, operational improvements and new product releases are expected to be partially offset by rising input costs, in particular raw materials.

The Appliances' business is committed to pursuing opportunities to growing component and technology revenues. For this reason, capital expenditure is expected to be approximately $44 million in the 2012 financial year. The business is investing primarily in new product development and the technology supply agreement with Haier.

The Finance business is expected to remain resilient despite soft retail conditions in New Zealand with any increase in interest rates putting pressure on earnings. Committed wholesale bank funding is in place to ensure the repayment of maturing retail debenture stock in the lead-up to the expiry of the Crown's retail deposit guarantee scheme on 31 December 2011.

The Company is committed to further property sales, with the remainder of the East Tamaki (Lot 2) site continuing to be marketed.

The Directors are conscious of the importance of dividends to shareholders. With this in mind the Directors are committed to resuming dividends as soon as financial and operating conditions permit.

An update on trading and market conditions will be provided at the annual shareholders meeting in August 2011.

Full-year result at a glance:

- Operating Revenue was $1,121 million (FY10 $1,164 million).
- Cash flow from operations, before the movement in loans to Finance business customers was $113 million, up from $88 million last year.
- Normalised EBITDA was $99 million (FY10 $104 million).
- Reported Profit after Tax was $33.5 million (FY10 $18.0 million).

- Appliances' EBIT was $23.7 million (FY10 $29.4 million).
- Finance Group EBIT was $34.7 million (FY10 $28.9 million).
- Net Bank Debt (excluding Finance operating borrowings) as at 31 March was $100 million (as at 31 March 2010 $173 million).
- Capital expenditure was $28 million (FY10 $30 million).

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