May 24, 2012

Fisher & Paykel Appliances Holdings Limited
Result for the Year Ended 31 March 2012

Improved second half year earnings saw Fisher & Paykel Appliances Holdings Limited today announce an audited group net profit after tax of $18.4 million for the financial year ending 31 March 2012 compared to $33.5 million last year.

“While the Group result is down $15 million on the previous year’s profit, the improved second half performance from both Appliances and the Finance business is encouraging.” says Chairman Dr Keith Turner.

“Our balance sheet continues to strengthen with net debt down a third to $65 million and we have prudently managed working capital and reduced operating costs.

Cashflow from operations, before the movement in loans to Finance business customers, was $117 million compared to $113 million last year.

“Pleasingly, both the Appliances’ and Finance businesses reported full year normalised earnings before interest and tax ahead of the market guidance given in November 2011.

For the second half the Appliance business reported a normalised operating profit before tax of $13.7 million compared to a first half loss of $2.4 million.

The Appliances business reported a full year operating profit before interest and tax of $7.3 million compared to $28.8 million last year. After adjusting for items affecting comparability of $3.9 million before tax, normalised profit before interest and tax was $11.3 million compared to $23.7 million last year.

The Appliances result was impacted by first half transactional hedging losses of $20.3 million. For the full year transactional hedging losses were $25.6 million, with $5.3 million recorded in the second half following a change in hedging policy.

“The Finance business delivered a strong performance and is well positioned for the year ahead.

The Finance business reported a solid result with reported operating earnings before tax of $31.0 million, compared to $34.7 million for the previous year. After adjusting for litigation costs of $6.8 million before tax, normalised profit before interest and tax was $37.8 million compared to $34.7 million last year.

The three items affecting comparability include an onerous lease of $2.7 million before tax (Appliances business), a fair valuation adjustment for property held for sale (Appliances business) of $1.2 million before tax, and litigation costs of $6.8 million before tax (Finance Group). Total one-off adjustments for the period resulted in a charge of $10.7 million before tax compared to a gain of $5.1 million for the previous year.

Adjusting for items affecting comparability, normalised net profit after tax was $26.3 million compared to $30.0 million last year.

Fisher & Paykel Appliances

“As foreshadowed in November 2011, market conditions across our key markets remained difficult. In particular the Australian market slowed noticeably in the second half” said Managing Director and Chief Executive Officer, Stuart Broadhurst

“Appliances industry sales in Australia, New Zealand and the U.S. all recorded negative growth compared to the previous financial year. In this context, the second half improvement in Appliances’ earnings is encouraging.

“Revenues were down 7.6 percent reflecting difficult market conditions and a rebalancing for profitable sales, in particular in the U.S. Despite this our product mix continues to improve along with our percentage gross margin.

“A key highlight of the result is the turnaround in the North American distribution business. The company achieved a $10.7 million turnaround in profitability, posting a $900,000 profit by focusing on profitable sales and overhead savings.”

“We have also made good progress on our strategy for the Appliances business.

“We have continued our release of new products with the launch of world-leading design in the DishDrawer™ dishwasher Phase 7, and the introduction of new product lines such as the gas on glass cook-tops and companion cooking products.

“Our new motor supply agreements will produce new revenue this year. The Haier motor supply contract went into production in April and a second contract to another customer will be in production by September.

“Our new product pipeline is strong with new refrigeration, laundry and cooking products to be released this year.

“While the earnings from the new motor contracts and new products have not yet flowed through to our financial results, they will start contributing over the next year.” said Mr Broadhurst.

Fisher & Paykel Finance

"Our Finance business posted yet another strong result, and is well positioned for the year ahead," said Mr Broadhurst.

Net interest income was held at 2011 levels, and bad debt expenses are lower through tight arrears and collection management. Operating costs increased due to additional promotional expenses related to the re launch of the Q Card.

Gross receivables increased by 2% in the second half in soft retail conditions. Pleasingly, the Q card product achieved its new business targets on the back of the increased promotional spend.

"We have successfully navigated through the expiry of the Crown's guarantee scheme and maintained strong liquidity. Investor confidence is returning and our retail debenture reinvestment rates in March 2012 were 89 percent compared to lows of 38 percent earlier in the financial year.

"Through a combination of wholesale banking facilities and liquid funds cover, we have funds in place equal to 1.8 times the retail debenture book. Now we are through the Crown Guarantee transition we will review our future funding headroom requirements.

"In respect of litigation costs, a case raised by a U.S. software firm, was heard in the High Court at Auckland, New Zealand during 2011. A judgement on the issue is now expected this year."

FY13 Outlook

Retail market conditions are expected to remain soft across all of the Company's key markets in the near term due to global economic uncertainty. The Board remains particularly concerned about retail market conditions in Australia, which deteriorated in the second half of the 2012 financial year. While there was a slight improvement in the U.S. economic outlook, there are already signs that this might not be sustained.

In the past two years the Appliances business has rejuvenated investment in new products and at the same time has significantly reduced bank debt, controlled working capital and overheads. The business has been repositioned for the current economic climate and now has the financial flexibility to pursue market opportunities including growth in the components and technology business.

In FY13, the Appliances business will benefit from the commissioning of two new motor contracts signed in 2011. The Haier motor line was commissioned in April 2012. A second line for another customer is on track for production in the second quarter of FY13. In addition, the product development programme of the past few years will culminate in the release of new refrigeration, laundry and cooking products during the coming year. On the downside, raw material prices have increased in recent months.

The Finance businesses earnings should remain resilient in the coming year, despite an expectation that New Zealand retail trading conditions will remain soft. Increased promotional activity with the Farmers Trading Company and a broader merchant base for Q Card should improve interest income.

Capital expenditure for the Group is expected to be approximately $42 million in the 2013 financial year.

The Directors intend to restore dividend payments to shareholders as soon as possible. However, with conditions in our key markets remaining very uncertain, the Directors believe it is prudent to take a cautious approach and have resolved not to pay a dividend at this time.

An update on trading and market conditions will be provided at the Annual Shareholders Meeting in August 2012.

Full-year result at a glance (compared to last year):

- Group Operating Revenue was $1,038 million (FY11 $1,121 million).
- Reported Group profit after tax was $18.4 million (FY11 $33.5 million).
- Reported Group EBIT was $38.4 million (FY11 $63.5 million).
- Appliances' normalised EBIT was $11.3 million (FY11 $23.7 million).
- Finance Group normalised EBIT was $37.8 million (FY11 $34.7 million).
- Net Bank Debt (excluding Finance operating borrowings) as at 31 March 2012 was $65.2 million ($100.2 million as at 31 March 2011).
- Cash flow from operations, before the movement in loans to Finance business customers was $117 million, up from $113 million last year.
- Capital expenditure was $50.5 million (FY11 $28.3 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, manufacturers 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.