

November 25, 2011



## **Fisher & Paykel Appliances Holdings Limited Result for the 6 Months Ended 30 September 2011**

Fisher & Paykel Appliances Holdings Limited today announced a Net Profit after Tax of \$976,000 for the six months ended 30 September 2011 compared to \$11.3 million in the previous corresponding period.

“While our result is far from satisfactory, it reflects the reality of tough economic conditions, high raw material prices and depressed white goods spending, especially in Australasia, North America and Europe. That said, we do see positives in our result from our Appliances global manufacturing strategy, a strong contribution from the Finance business, and lower interest costs due to lower debt levels,” said Managing Director and Chief Executive Officer, Stuart Broadhurst.

The Appliances business reported an increase in gross margin of \$900,000 to \$140 million on reduced revenue. Despite this improvement, transactional hedging losses resulted in the Appliances business reporting a normalised operating loss before interest and tax of \$2.4 million.

“The fact that we are maintaining our gross margin in this environment bodes well for the second half of the year which is traditionally when we generate the majority of our full year Appliances earnings,” said Mr Broadhurst

“The Finance business reported another strong result in soft New Zealand retail market conditions with half year normalised earnings being \$18.4 million compared to \$18.9 million in the previous period.

The Group has also been able to reduce net debt by \$6 million since 31 March 2011 to \$94 million.

“Our balance sheet is in good shape and we are positioned well for the future. Earlier this month, we successfully renewed our banking facilities for a further three years. This will assist the Company in funding our new component and technology contracts and future product development,” said Mr Broadhurst.

The Group result included two one-off items, one of \$2.5 million relating to the cancellation of an onerous lease (Appliances business), and litigation costs (Finance business) of \$5.9 million, both before tax.

“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,” said Mr Broadhurst.

### **Fisher & Paykel Appliances**

The Appliances business reported a loss before interest and tax of \$2.4 million compared to positive earnings before interest and tax of \$6.8 million last year.

“We have experienced challenging trading conditions over the past six months. We are adapting to these prevailing market conditions by investing in productivity gains, improving our quality and enhancing our Appliances product portfolio,” said Mr Broadhurst.

“The increase in Appliances gross margin by \$900,000 under these conditions was encouraging.

Capital expenditure in this period increased to \$22 million, compared with \$10 million in last year’s corresponding period.

“We are investing for the future of our core Appliances business in the form of several new product ranges, some of which have been launched, with further developments in the pipeline. In addition, we are diversifying our earnings with investment in new component and technology agreements with major global appliance manufacturers,” said Mr Broadhurst.

“We remain focused on continuing to lift the quality and performance across the product portfolio.

“Global brand unification is an important part of ensuring Fisher & Paykel continues to be a strong and appealing brand for our customers. This strategy also made significant headway in the past year as we increased our presence in key markets.

“The Appliances’ result was negatively impacted by currency hedging losses of \$20.3 million, mainly due to the rapid appreciation of the Australian dollar relative to the US dollar and challenging trading conditions,” said Mr Broadhurst.

### **Fisher & Paykel Finance**

“The Finance business delivered another solid result in softer retail market conditions,” said Mr Broadhurst.

The Finance business experienced higher financing costs associated with retail debentures and bank facilities over the period. Bad debt expense reduced by \$2.9 million on stronger credit and arrears management.

Operating costs increased in part due to a one-off \$1.8 million cost for rebranding and re-launching the Q Card.

Gross receivables decreased by 2% as households continue to reduce debt levels. Pleasingly, the Q card product achieved its new business targets on the back of increased promotional spend, despite the loss of a major account. The strategy of broadening the merchant base has also attracted additional cardholders.

The business continues to maintain a diversified funding mix including banks, commercial paper and retail debentures. Total external funding as at 30 September 2011 was \$554 million, including \$122 million of retail debentures.

“The Crown Deposit Guarantee Scheme expires on 31 December 2011 and the Company has already implemented a number of strategies to attract investors as the market transitions to a non-Crown Retail Deposit Guarantee Scheme environment. The business ceased offering debentures under the Crown Deposit Guarantee Scheme in June 2011 as part of the transition process.

“Through a combination of wholesale banking facilities and liquid funds cover, we have funds in place equal to 1.6 times the retail debenture book. This removes uncertainty for retail debenture investors.”

## **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.

**Half-year result at a glance (compared to the first half last year):**

- Group Operating Revenue was \$514 million (\$550 million).
- Group Profit after Tax was \$976,000 (\$11.3 million).
- One-off items were \$8.5 million (Nil).
- Appliances normalised EBIT was negative \$2.4 million (\$6.8 million).
- Finance Group normalised EBIT was \$18.4 million (\$18.9 million).
- Net Bank Debt (excluding Finance operating borrowings) as at 30 September 2011 was \$94 million (\$100 million as at 31 March 2011).
- Cash flow from operations, before the movement in loans to Finance business customers was \$50 million (\$64 million).
- Capital expenditure was \$24 million (\$11 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, manufactures 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.

### **Legal Disclosures**

Fisher & Paykel Finance Limited (FPF) has a guarantee under the Crown Retail Deposit Guarantee Scheme which expires on 31 December 2011. Further information about the Crown guarantee is available on [www.treasury.govt.nz](http://www.treasury.govt.nz).

FPF's debentures are secured first ranking debentures subject to prior permitted charges (currently none). A copy of FPF's prospectus and investment statement is available on request from FPF.

This presentation has not taken into account any particular investor's investment objectives or circumstances. Investors in FPF are encouraged to make an independent assessment of FPF.

# Fisher & Paykel Appliances Holdings Limited

FPA Stock Exchange Release ASX/NZX 25 November 2011

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## **HY12 Media Release**

Fisher & Paykel Appliances Holdings Limited has provided NZX with a copy of its media release.

This release will be made available at <http://www.fisherpaykel.co.nz/global/investors>

In conjunction with the release, Fisher & Paykel Appliances Holdings Limited will host a conference call to review the result for the Half Year 2012.

The conference call is scheduled to begin today at:

**11.30 am NZDT**

**9.30 am AU EDT**

**2.30 pm (24<sup>th</sup>) US PST**

To participate in the conference call, please dial into one of the phone numbers below at least 5 minutes prior to the scheduled call time, and identify yourself to the operator:

### **Toll free numbers:**

New Zealand:	0800 449118
Australia:	1800 555616
USA:	1866 3694113
Hong Kong:	800 967659
Singapore:	800 6162160
United Kingdom:	0800 0689834
China Telecom:	1080 03610133
China Netcom:	1080 06110113

### **Toll number:**

Other countries:	+61 3 92214420
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Individuals wishing to listen to the webcast can access the event at the Company's website [www.fisherpaykel.com](http://www.fisherpaykel.com). Please allow extra time prior to the webcast to visit the site and download the streaming media software required to listen to the broadcast.

An on-line archive of the broadcast will be available approximately 3 hours after the call and will remain accessible until 9 December 2011 at +61 3 92214752, access code 657925.

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