TRADING UPDATE AND EARNINGS GUIDANCE FOR THE 2010 FINANCIAL YEAR

Earnings

Higher than expected levels of competition and continued depressed market conditions in the USA, particularly in the high end of the appliances sector, are likely to result in first half earnings for the Group being below the level of first half earnings in the Prospective Financial Information ("PFI") as contained in the Rights Issue Investment Statement and Prospectus issued on 27 May 2009. As a result of these market conditions, North American sales revenue in USD terms is now forecast to finish the year approximately 12% below the level assumed in the PFI.

Group Normalised Operating Earnings before Interest and Tax for the full year is expected to be $19 - $24 million below the $87.7 million that was forecast in the PFI for the year ending 31 March 2010.

FY 2010 Normalised Net Profit after Tax is forecast to be approximately $20 - $23 million (PFI $32.8 million) and the FY 2010 net result after tax and abnormals a loss of $2.0 - $5.0 million (PFI $11.7 million profit). As a consequence of the under performance in North America the Directors are reviewing the carrying value of assets for any possible impairment.

Debt Facilities

Debt is still forecast to fall below $200 million by 31 March 2010 as inventory reductions continue and cash flow from operations improves.

The recently announced sale and leaseback of part of the East Tamaki site is scheduled to be completed during October. Of the $53 million sales proceeds, $34 million will be immediately used to complete the full repayment of the $235 million Amortising Debt Facility 6 months ahead of the schedule agreed with the Company's Banking Syndicate. The balance will be used to reduce the Company's Term Loan Facility debt.

The debt forecast is before the proceeds of any further property sales are applied. The Company has a conditional sale agreement for $21 million on the balance of the East Tamaki site and continues to actively market the Cleveland, Australia site.

As a result of these reductions, the Company will be significantly deleveraged and intends to further reduce its banking facilities by $40 million by 31 March 2010.

The Group's trading performance for the 6 months ended 30 September 2009 is expected to be outside the 20% permitted adverse variance under the budget performance covenant agreed with its Banking Syndicate. The Company is in compliance with all other Bank covenants.

The Company has had discussions with its Banking Syndicate. The Banks have requested internal credit approvals to waive compliance with the budget performance covenant at 30 September 2009 whilst accepting a revised budget against which the budget performance covenant will be tested as at 31 December 2009 and 31 March 2010.

Given the substantial debt reduction and deleveraging that has occurred to date and is projected to occur through to 31 March 2010, the Directors expect that the revised forecast and covenant terms will be approved by the Banks.

The Company expects to update the market on banking arrangements on or before the 30th September 2009.

Australia and New Zealand

Sales revenue in New Zealand is expected to finish the year comfortably ahead of the level assumed in the PFI. In Australia, sales revenue in AUD terms is also projected to slightly exceed the PFI level for the full year as initiatives to increase sales are implemented during the second half of the year. Competition in both markets remains intense and the pricing for some appliance models has been reduced as market price points have declined. The sales mix has also been unfavourable relative to PFI as cooking and DishDrawer sales have slowed further in the current economic conditions and this trend is expected to continue for the remainder of the fiscal year. The price reductions and unfavourable sales mix variances have impacted margins, however, this has been offset by favourable transaction currency effects resulting from the appreciation of the NZD and AUD relative to the USD.

The Company is continuing to take action appropriate to the market conditions and additional promotion expenditure of $3.5 million above the allowance in the PFI has been planned for the New Zealand and Australian markets to support sales of the Fisher & Paykel brand.

In local currency terms, sales to other regions, including Europe, are expected to finish the year at PFI levels.

Global Manufacturing Strategy

Manufacturing costs at the new Mexican factory at Reynosa have been higher than expected. Lower production volumes, which are reflective of lower sales, have adversely affected the recovery of manufacturing overheads and the outsourcing of injection moulding and press metal processing has initially been more expensive than assumed. A number of cost saving opportunities have been identified and these are being implemented. These measures, along with the localisation of materials sourcing in Mexico are forecast to reduce costs over the remainder of the financial year.

In the second half of FY2010, it is expected that further substantial benefits from the Thailand manufacturing facilities will be realised. The commissioning of the refrigerator plant, which was relocated from Cleveland, Australia to the Company's Thailand site, is running to schedule. Recently introduced promotional activity into the Australian market has lifted second half production requirements significantly. This will contribute to some of the expected improvement in earnings in the second half of FY2010 compared to the first half.

Restructuring and Manufacturing Relocation Costs

Pre tax, FY2010 one-off costs associated with the Global Manufacturing Strategy, debt restructuring and staff retrenchment, net of gains on property sales, are now projected to exceed the PFI forecast by approximately $4.5 million.

The relocations to Thailand and Mexico are now almost complete. Final costs are forecast to exceed the PFI allowance by approximately $1.8 million due to increased costs during the commissioning phases. Costs associated with the debt restructuring earlier in the year are projected to finish the financial year approximately $1.5 million above PFI, due largely to professional and legal fees. An additional $3.8 million has been provided for staff retrenchments.

Finance

The Finance business continues to perform well and its Normalised Operating Earnings before Tax is expected to exceed the FY2010 PFI by approximately $4 million. Although lending levels have been below the assumptions in the PFI, net operating margins have improved and operating costs have been contained.

Tighter credit acceptance criteria is resulting in an improvement in the quality of more recently originated accounts receivables and an intense focus on customer account management is reducing the level of bad debt expense.

Gross receivables at 31 August 2009 stood at $591 million, down 3% since March 2009, reflecting the softer retail environment over the period. Although lending volumes are down, particularly for term finance on big ticket items, Farmers Finance Card and Q Card revolving credit are performing better than PFI.

Bank provided funding facilities of $125 million have recently been extended for a further 12 months.

Outlook

Although the Company’s trading performance during the first half of the financial year has been below expectations, it is encouraging that the projected earnings over the second half indicate a significant recovery, relative to the first half, as the benefits of the Global Manufacturing Strategy and cost down are fully realised.

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