

Fisher & Paykel Appliances Holdings Limited

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Chairman's Address to Shareholders

For the year ended 31 March 2009, the Company recorded a Normalised Group profit after taxation of \$33.8 million. Slowing consumer demand as a direct result of the Global Economic Crisis significantly impacted sales in the second half of the financial year.

One off costs associated with implementing the Global Manufacturing Strategy amounted to \$48.8 million after tax.

Other one-off costs, which were substantially non cash charges associated with the impairment of intangible assets, amounted to \$80.3 million after tax. The sale of New Zealand properties contributed \$8.4 million after tax.

Inclusive of one-off costs, the Group reported a loss after taxation of \$95.3 million.

The Appliances business revenue at \$1.213 billion for the financial year ended 31 March 2009 was down 4% compared to the previous corresponding period. Up until September 2008, total Appliances sales were essentially flat, with growth in Australia offsetting lower revenues in all other markets. In the second half of the financial year, revenue decreased 5.4% due to a significant reduction in our three major markets. The depreciation of the New Zealand dollar partially offset the full effect of declining sales volumes in overseas markets.

The Finance business operating revenue increased 11% compared to the corresponding year. This was a result of higher lending interest rates and the introduction of card fees. New term funding facilities were secured during the year and the level of retail debentures increased, improving funding headroom.

The Company paid an interim 5 cent dividend in December 2008.

All appliance business markets have been affected by the Global Economic Crisis. Lower consumer demand in our 3 major markets of New Zealand, Australia and North America resulted in lower volumes and revenue.

The New Zealand market size reduced by more than 11% over the previous year, to levels not experienced since 2002. As consumers have lowered their purchase expectations, the Elba brand, positioned at the middle of the mass market, continues to perform well.

Growth in the Australian market for the first 6 months of the 2009 fiscal year, masked a second half decline, with the overall reduction in market size for the year limited to 7.7%, somewhat better than other sales regions. However, the second half reductions however were in line with most other markets.

The North American market continued to be under severe pressure. Although the Fisher & Paykel and DCS brands performed relatively well, there is however a growing trend that the high and ultra high end of the appliance market has declined in favour of lower priced offerings.

The European markets remained subdued. Increased distribution, combined with an expanded product range enabled the United Kingdom to lift sales over the previous corresponding period, although this revenue was offset by a weakening of the British pound.

Rest of World sales held up well when compared with the previous year due to Asia remaining relatively resilient to the economic downturn.

Notwithstanding these adverse trading conditions, the business has made positive progress in a number of areas over the last financial year.

The Global Manufacturing Strategy we first embarked on in 2005 is now substantially complete with the relocation of the refrigeration plant from Cleveland, Australia to Rayong, Thailand. That plant is now in the early stages of production and will reach its ongoing manufacturing rates by October. As a Board we are very pleased with the speed and accuracy in which all manufacturing facilities have been relocated.

We have successfully commissioned the new DishDrawer line in Mexico. This facility produces our global demand for DishDrawers, not only in the standard configuration but also the recently introduced DishDrawer Tall models.

Our unit product conversion cost savings from the Thailand facility for our Laundry products are exceeding initial expectations and we look forward in anticipation to the full start up of the refrigeration facility on that same site.

We have realigned the staffing levels in all areas of the business to reflect the current and expected future demand. This has been in direct response to the Global Economic Crisis.

I am pleased to welcome the Haier Corporation as our new cornerstone shareholder. Haier is a global company and is considered China's most valuable brand. It is a leading global manufacturer of household appliances and consumer electronic products. The company has over 60,000 employees and operates 16 industry parks worldwide. In 2008 Haier reported sales of approximately US\$17.5 billion.

In May this year, Haier agreed to take a 20% holding in the Company. Their initial \$46 million placement at \$0.80 cents per share was at a market premium. Inclusive of the rights issue and the subsequent top-up placement, Haier's total investment amounted to just over \$82 million.

As well as bringing the experience of 2 international Directors to the Board, Haier have entered into a long term partnership with Fisher & Paykel Appliances that will benefit both companies. The potential synergies that the Fisher & Paykel Appliances and Haier relationship offers will, I am sure, create significant value for shareholders. Our CEO and Managing Director John Bongard will expand on these opportunities in his address.

The entry of Haier as a cornerstone shareholder formed part of the wider equity raising programme that took place in June in the form of a pro-rata rights issue.

I am pleased to say that the Company successfully raised \$142.9 million in ordinary subscriptions, with existing shareholders subscribing to 95% of the pro rata rights issue. This was a tremendous vote of confidence by all shareholders. Inclusive of Haier's investment, the Company raised gross proceeds of \$200.5 million in new equity capital.

The Company reached an agreement with its banking syndicate in late May with respect to refinancing the debt facilities of Appliances.

These renegotiated debt facilities totalled approximately \$575 million and includes an Amortising Facility of \$235 million which must be progressively repaid by 30 April, 2010.

The sale and lease back of the East Tamaki site is still under negotiation with a conditional purchaser. We expect an outcome resulting from these negotiations in September.

The Cleveland site south of Brisbane, which still houses our Customer Care Centre and a spare parts operation, is still being actively marketed.

The \$76 million stock build of refrigerators and DishDrawers to accommodate the relocation of the Cleveland refrigeration plant to Rayong, Thailand and the new DishDrawer line in Reynosa, Mexico is now being sold down as planned. From its March high of \$76 million, inventory was down to under \$20 million as at July 31st, with the remainder expected to be sold through by the end of September.

The Board is confident that the proceeds of the equity raising, together with other debt reduction initiatives, will be sufficient to meet required repayments under the Amortising Debt Facility.

Under the renegotiated bank debt facility, the Group is not permitted to make distributions to shareholders until the \$235 million Amortising Debt Facility has been repaid in full and the Company has satisfied certain other conditions. The Directors therefore do not expect to pay a dividend in the 2010 financial year.

The debt reduction programme is ahead of target. The proceeds from the equity raising have been used to pay down a substantial part of the Amortising Debt Facility. A small portion of the equity raising, being \$15 million, will be applied as a capital injection for the Finance Company.

The Group believes that Appliances is well positioned to build on the foundation it has put in place in the last financial year, in terms of new lower cost manufacturing facilities, efficient production capabilities, leaner staffing levels and increased distribution prospects.

And now the Finance business. By avoiding property development and concentrating almost exclusively on merchant originated point of sale consumer credit, the finance business has “stuck to its knitting” and operated in a niche market in which it has sound industry knowledge, an established track record, and unique skills and competencies.

Despite the difficult trading conditions, the Finance business achieved a normalised Operating Profit before Interest and Tax of \$21.1million for the year ended 31 March 2009, driven by growth in Q Card and Farmers Finance Card, improved yields, and fee income. Funding costs increased during the year as the Global Credit Crisis intensified.

Operating costs remained stable resulting in a cost to income ratio of 40%. However an additional bad debt charge of \$6.7million adversely impacted earnings, reflecting higher debt write offs and additional provisioning against increasing levels of delinquencies as consumers faced mounting pressure to service their total levels of household debt.

The Finance business has maintained substantial funding arrangements with its Bankers utilising the commercial paper market and wholesale bank facilities, supplemented by a continuing presence in the retail debenture market. This diversity of funding and liquidity has been a real strength at a time when the Appliances business has been undertaking a restructuring of its own funding arrangements.

The Finance business experienced an initial reduction in retail debenture funding over the course of 2008 with reinvestment rates falling to around 50%. In November 2008, Finance was approved to participate in the New Zealand Government Crown Deposit Guarantee Scheme for retail deposits, resulting in a substantial inflow of new funds and reinvestment rates returning to the historical levels in the range 65% - 80%. Whilst reinvestment rates declined to 50% in March 2009, following the announcement by Appliances in relation to its capital structure and trading performance, reinvestment rates have subsequently returned to more historical levels.

The benefit of the Crown Guarantee for retail deposits, has removed for investors the uncertainty and anxiety caused by the failure of many finance companies in New Zealand. This Crown

Guarantee is due to expire in October 2010 and we expect the Government to make an announcement shortly on the future of this scheme.

The Finance business continues to maintain its Standard & Poors A1+ short term credit rating for its Commercial Paper programme, and the AM Best A- Excellent rating for its insurance business.

Credit Card receivables grew by over \$28 million or 6.9% during FY2009 across the Q Card and Farmers Finance Card portfolios. However other receivables, including Farmers Instalment Credit, Equipment Finance, and Bulk Funding contracted resulting in an overall 12 month increase in receivables of \$2.4 million. Over the past year there has been a noticeable decline in structured fixed instalment lending volumes, down 27%, as consumers seek to defer the purchase of "bigger ticket" items and thus avoid increasing levels of longer term debt.

The Finance business continues to maintain its own separate Board of Directors to monitor and review performance and compliance. This structure provides additional Corporate Governance over the affairs of the business and ensures Trust Deed ratios and prudential policies are appropriately maintained and adhered to. The identified risks are regularly reviewed by management and the Audit and Risk Management Committee of the Board.

The Board and management of the Company are committed to ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews the Company's governance structures to ensure that they are consistent both in form and substance with best practice.

I would like to thank all involved on the numerous Board Sub Committees, Audit and Risk Management Committee, the Remuneration Committee and Nomination Committee. Their support through what has been a difficult year is greatly appreciated by the Board.

In 2009, we celebrate Fisher & Paykel Appliances 75th anniversary. The Company has developed into a truly global brand from its humble beginnings as an importer of refrigerators into New Zealand in 1934. Throughout the past 75 years we have been able to build on the base laid so solidly by the founders. The vision and foresight of these two pioneers have set the foundation for the business to grow and develop into a world leading appliance design and manufacturing company.

Today we see a very different Company from those early years. Globalisation with open borders has led to a smaller, faster world, where access to distant countries is no longer considered a barrier.

I believe the Company has the right plans in place and along with the new partnership that has been forged with Haier, we will be able to come through this recession a stronger organisation and be well placed to take full advantage of the recovery that will inevitably occur in the future.

Before handing over to John Bongard, I would like now to briefly acknowledge the recent passing of Lady Joyce Fisher, the wife of our late co-founder Sir Woolf Fisher. It was through Joyce, that the business relationship between her brother Maurice Paykel and Woolf Fisher originally started. The rest, they say, is history with the creation of the Fisher & Paykel company shortly afterwards.

Joyce was a remarkable woman, continuing to have a keen interest in the company's activities up until to her death. She carried on the tremendous charitable and philanthropic work she and Woolf started many years ago. Joyce was a regular attendee at the ASM and her presence will be sadly missed.

I will now invite John Bongard to update you on progress that the Company has made since balance date.

Chief Executive Officer's Address to Shareholders

Thank you, Gary. I would also like to welcome you all here today.

Fisher & Paykel Appliances Holdings has, since October 2008, encountered its most difficult trading conditions in the Company's history.

The Global Economic Crisis has continued to impinge on consumer demand for appliances in all markets entering the 2010 financial year. Lower sales levels, being a continuation of the step down in October last year, combined with pricing pressure in all markets, have impacted margins and profitability. As manufacturers fight for volume retention in shrinking markets, price pointing and therefore margins have been squeezed.

The New Zealand market has continued to decline and strong competition has intensified as the market contracts, with aggressive pricing behaviour being prevalent. Throughout these difficult times the Fisher & Paykel brand remains easily the most preferred whiteware brand in the New Zealand marketplace.

Since March 31st we have vacated the Range and Dishwasher production facility in Mosgiel. Our remaining staff in Dunedin, comprising the product development team and the Customer Call Centre, are now housed in leased premises in Dunedin city. Total staff at this site number approximately 120, with further expansion planned for the global call centre.

The Australian market has remained relatively resilient. Since balance date the business has been hindered by the factory relocations, namely the DishDrawer from Dunedin to Mexico and the refrigeration line from Cleveland to Thailand, which occurred during the first half of the current financial year. The fixed number of units that were available for sale has restricted the market activity the sales team has been able to offer.

We have been unable to actively respond to market dynamics because of the need to ensure continuity of supply to our customers. This has led to a temporary loss of market share in these categories. With production commencement dates now finalised, normal sales and marketing activity has recently resumed and sales are expected to return to normal levels. The latest market share data for July sales indicates that this is the case.

The North American market continues to be severely affected by the global slow down and trading conditions are extremely difficult. Overall the market decline calendar year-to-date is in the vicinity of between 15 and 20% depending on product category and is even more severe in the high end segment, in which the Fisher & Paykel and DCS brands are both positioned.

In a move to rationalise production capacity, the washer line in Clyde, Ohio will be closed on a temporary basis in October. The required capacity for the North American market will be transferred to the Thailand facility, with expected improved manufacturing efficiencies. The Clyde site will continue to manufacture the Smart Load dryer, predominantly for the USA market and motors for Whirlpool component contract.

The Mexican facility is nearing completion. Following the commissioning of the DCS lines and the DishDrawer Tall line, all that remains to be completed is the cooking products previously manufactured in Dunedin and some component manufacturing for the DishDrawer product.

Unit costs for DishDrawer are presently above those initially budgeted. Higher priced raw materials and components shipped from the Dunedin facility are still in the process of being used up, a result of lower than intended sales rates. This has delayed the potential savings from localising component and material supplies. Management is highly focused on reducing operating costs in North America as profitability has been lower than expected.

Sears in the USA still provide us with an opportunity for distribution expansion in the future. The Elba brand is currently being sold exclusively through the Sears Outlet Stores across the country. The Fisher & Paykel brand will be displayed in selected Sears Appliance stores on a trial basis, with the aim of further roll outs into mall stores next year. The DCS brand will also be displayed and sold on a limited basis.

Although some commentary coming out of the United States indicates the early signs of confidence, we remain guarded as to any form of recovery in the near future.

The European markets are facing similar economic problems to those being experienced elsewhere. Market size reductions of up to 30% on the previous year are not uncommon. The Fisher & Paykel brand continues to outperform the market assisted by product and distribution expansion.

As the Chairman mentioned, the Global Manufacturing Strategy factory relocations are almost complete. The Thailand site is delivering excellent results with the laundry and electronics plants now into their second year of production. The cost per unit savings are being met notwithstanding lower than originally planned production rates.

The refrigeration facility made its first Thailand manufactured refrigerator on July 13th, 2 weeks ahead of our planned schedule and initial production rates are easily meeting targets. The first shipment of products is on the water to North America.

In response to the declining markets globally, we have been required to further restructure the business over the past 6 months to adapt to the new operating conditions facing the Company. This has included a realignment of staffing levels throughout all functions. As well as the relocation of our manufacturing facilities to lower cost countries, we have taken further costs out of the business by reducing our overall indirect staffing levels by 13% since October 2008. This has unfortunately been unavoidable given the economic conditions and lower consumer demand presently being experienced. We will continue to assess the situation to determine if further actions are necessary.

Needless to say the Company continues to employ its cost down programme internally, exploring means to reduce costs throughout the business. Wage freezes and salary cuts implemented in July last year remain in place.

During these difficult times there are however some exciting prospects going forward and I would like to expand on these now.

As the Chairman mentioned earlier, the equity raising process in June involved a new cornerstone shareholder, Haier. As well as becoming a 20% stakeholder in the Company, the partnership with Haier brings a number of potential business initiatives that will benefit both companies.

Fisher & Paykel Appliances' relationship with Haier, commenced well before the recent cornerstone shareholding announcement. We have been conducting business on an outsourced or OEM basis with Haier since 2004, with their manufactured models supplementing our product line up in the categories of dishwashers and bar type refrigerators.

Since the signing of the co-operation agreement we have moved quickly to explore opportunities that will be beneficial to both Companies.

Under the new arrangement, Fisher & Paykel Appliances and Haier have agreed to work together on future technical developments to enhance both companies' technological and product advantages. Both companies have strong technical competencies, largely in complementary product categories.

For example, Haier is a global player in front loading washing machine technology, an area where Fisher & Paykel Appliances is still in its infancy in terms of development. We will learn a lot from Haier's experience and jointly apply that to our future products. Likewise Fisher & Paykel Appliances is a global leader in drawer development, for both dishwashing and refrigeration products.

Through a partnership approach, both companies will be able to shorten the time line from initial development to market release of new products. Leading the market in new product concepts and delivering consumer solutions quicker will be a major competitive advantage.

Haier is a major appliance manufacturer, currently the worlds 4th largest. Their total manufacturing numbers make them a global buying power for raw materials and components. We have the opportunity to leverage Haier's supplier contacts and relationships, particularly in China, to reduce our cost base. By using this leverage, potential savings in the area of procurement for the Company will be advantageous. To date, annualised savings in excess of \$3 million have been identified with further projects underway in order to achieve additional areas of savings.

Haier are investigating the possibility of our Production Machinery Company, located here in Auckland, supplying them with manufacturing equipment for some of their planned new production lines. Haier have recently visited PML and a specific quotation has been supplied for a potential first project.

Since the announcement of the cornerstone investment, Fisher & Paykel Appliances and Haier have been working closely together reviewing the potential synergies in the Australian, New Zealand, Chinese, USA and European markets.

Both companies plan to expand their current OEM business and introduce possible ODM arrangements in the future. ODM stands for Original Design Manufacturing, where a Company manufactures another Company's design under a license agreement.

These arrangements are of a global nature and include OEM opportunities such as Haier manufactured products being sold under the Elba and Fisher & Paykel brands in the USA. This will broaden our product offering in that market.

Haier manufactured 60cm refrigeration products, branded Fisher & Paykel and suitable for the European markets have been identified. These models will be available for sale prior to Christmas.

In a recent meeting with senior Haier European executives in Italy, the opportunity for Fisher & Paykel Appliances manufactured cooking products under the Haier brand was explored. Product selection decisions will be finalised in the next few weeks for supply to Haier's European markets.

Distribution opportunities are the most immediate component of the arrangement that will mutually benefit both parties. Fisher & Paykel Appliances has agreed to distribute the Haier brand in both the New Zealand and Australian markets.

Under this agreement, Fisher & Paykel Appliances will import, market, distribute and service a full range of Haier branded products. These products could ultimately be manufactured by either Fisher & Paykel Appliances or Haier. They will be sold through Fisher & Paykel Appliances' existing retailing networks in both New Zealand and Australia.

In New Zealand, it is envisaged that Haier branded products will complement the Fisher & Paykel and Elba brands. The product line up has been agreed and the first orders were placed on Haier last week. The roll out of the Haier brand in New Zealand is planned to take place in October.

For those of you interested we have a selection of these products available for viewing after the meeting has concluded.

Both companies are in discussions regarding the transition period for Australian distribution. In the meantime, as announced by Haier in their August 5th press release, Haier Australia will continue to market and distribute the brand in Australia, until such time as Fisher & Paykel Appliances takes over that role. This is expected to be early next year.

Haier has undertaken to promote, distribute and service the Fisher & Paykel brand as their luxury brand offering into the Chinese domestic market.

The Chinese economy continues to grow at a spectacular rate compared to other economies. It is one of the fastest growing luxury markets in the world.

In the Chinese market Haier offers knowledge and expertise, as well as an unrivalled distribution infrastructure. Their extensive national distribution and service network, offers Fisher & Paykel Appliances a unique opportunity to enter the Chinese market.

The initial release of the brand will be through exclusive showrooms in 4 major cities, Shanghai, Guangzhou, Hangzhou and Beijing. The first of these showrooms will be open in October in Hangzhou with the rollout in the other 3 cities prior to Christmas.

The Fisher & Paykel brand has already been presented with its debut display at a high profile trade show in Qingdao, China during July.

The models on display were a representation of the product range that Haier will distribute in China. These included both single and double DishDrawers in the new tall format configuration. These DishDrawers were complemented with high end refrigerators featuring CoolDrawer and the large ice and water models. The cooking range included our revolutionary cook surface, built in ovens and rangehoods.

We have recently agreed the product range that will be launched in the Chinese market. We plan to initially introduce approximately 30 models which will be added to in mid 2010.

Initial orders have been received from Haier, with the first shipment of products likely to be on the water by September this year. Our teams continue to work closely together to ensure a successful release of the brand and as such the Company intends to have personnel on the ground in China to support the brand during the release phase.

In the Chinese market Haier enjoys the same customer brand recognition and support as that of Fisher & Paykel in New Zealand. Haier currently runs a 2 brand strategy in China. The Haier brand targeting the mass market and the Casarte brand the high end. Following discussions we are jointly developing a range of Casarte branded, Italian made cooking products for the China market. The product range has been largely agreed and this will complement and broaden Haier's existing high end offering.

Without a partner of such high status as Haier, a successful entry into the Chinese market would be almost impossible for Fisher & Paykel Appliances.

In the period since balance date the Finance business has achieved an above budget and improved financial performance over the corresponding period last year. This result is due to the efforts put in to contain bad debt expenses and reduce costs as retail spending levels and volumes of business written have reduced in line with the weakening economy.

An overall lower interest rate environment contributed to the above budget earnings performance. The Finance business has maintained a sound level of retail debenture investment with reinvestment rates averaging in excess of 70% over the past four months.

The expiry of the Crown Guarantee on retail deposits in October 2010 will likely have an impact on the level of retail funding, the extent of which is uncertain until the Government announces whether the existing Guarantee scheme will cease or perhaps be extended on new terms. We shall position our retail investment funding to maximise this opportunity once we are aware of how the current scheme is changed.

Further investment has been made in introducing new technology to manage credit. Recently introduced fraud detection software and new telephone technologies have increased the capacity to reduce bad debts through improved credit origination and intense account management. Nonetheless New Zealand households remain under significant financial stress due to increasing levels of unemployment and the weaker domestic economy. Management therefore expect account delinquencies and resulting bad debts to continue for some time yet before a recovery in the economy will reverse this trend.

Whilst retail spending has been generally softer across the total market our Farmers Finance Card business has maintained a better than market performance driven by the strong brand of Farmers and customers switching their shopping to Farmers stores. Conversely households are reducing their use of credit for the purchase of bigger ticket non essential items in an attempt to moderate their levels of household debt. Consequently there has been a notable decline in the levels of structured finance written on Q Card in the last six months.

New regulations under the Reserve Bank of New Zealand Amendment Act for Non Bank deposit takers will require the Finance business to increase capital, gain a credit rating, appoint independent directors to the Finance Board, and meet new and additional reporting requirements. The business is well prepared for these changes which need to be completed in early to mid 2010.

The benefits of a diverse funding base, the continuing focus on core business, and the robust governance policies are key factors which have assisted the Finance business to manage the impact of the current recessionary climate. These, together with enhanced credit practices and procedures will enable the Finance business to take advantage of the opportunities when market conditions improve.

In summary

As part of the rights offer, the Company published an Investment Statement and Prospectus which contained prospective financial information, or PFI, for the 2010 financial year. This indicated a Normalised Group EBIT of \$87.7 million and a Normalised NPAT of \$32.8 million.

For the 4 months to date, the Company has met the PFI revenue targets. Sales in the North American market have been slower than expected, but this has been offset by increased revenue in other markets.

As at the end of July, Appliances was behind on year to date PFI Normalised EBIT due to margin pressure and increased product costs in the USA. The Finance business however has started the year strongly and year to date is above PFI Normalised EBIT. Overall the Company is within approximately \$1.0 million of the Group Normalised NPAT as forecasted in the PFI.

The equity raising earlier this year has substantially strengthened the Company's balance sheet. Net debt levels at July 31 2009 were \$308 million, which is approximately \$30 million better than the PFI target.

We are excited with the prospects that the Haier association brings. China especially is an untapped market for the Company and offers fantastic growth opportunities for Appliances. The additional synergies that Haier and Fisher & Paykel Appliances continue to co-develop will bring further favourable results.

After tremendous work by our relocation teams our new offshore manufacturing facilities are now established. Unutilised production capacity remains and our facilities are poised to react quickly when market demand returns.

Likewise, the Finance business's performance year to date is encouraging notwithstanding the continuing depressed economic conditions it operates in. Its diverse funding base and focussed core business sees it well placed to take advantage of any future market upturn.

Before handing back to the Chairman, I must extend my thanks to our suppliers who provide us with their products. We look forward to continuing these partnerships and forging new ones as we expand offshore.

To our end customers, thank you for your continued support. We strive to provide the best quality products and service and will continue to do so in the future. Our recent partnership with Haier will ensure an even greater choice for our customers globally.

To our staff who are located in all parts of the globe, our world is an ever challenging and changing one and we must evolve and develop accordingly. I thank you for your devotion and dedication, two unique qualities that make this Company special.

I would also like to thank you, our Shareholders, for your continued, valued support. Your strong support during the recent equity raising exercise was greatly appreciated.

To my fellow Directors, thank you for your wise counsel and guidance. The year ahead offers more challenges, but also great opportunities.

This address will also be made available on the Company's website www.fisherpaykel.com