

Fisher & Paykel Appliances Holdings Limited

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FPA – Outlook for FY12

The Board reiterates that forecasting the Appliances business in the current environment remains extremely difficult.

The first quarter result, combined with a weak retail outlook in Australia and forecast transactional hedging losses, are likely to result in the Appliances' businesses first half operating earnings before interest and tax being at or slightly above breakeven.

In the first quarter, the benefits of a rapidly appreciating Australian dollar against the U.S. dollar were favourable to input costs, however these benefits were more than offset by the Company's hedging losses. This represents a one-off loss of earnings in the first quarter. Because of the length of some of the hedging contracts, we will continue to incur losses, albeit at a reducing rate, for some months to come should the AUD/USD remain at around 1.05. The Company's transactional hedging policy was substantially lengthened following the refinancing in May 2009 and now that debt levels have reduced, the Company is progressively reverting to the previous transactional hedging policy which will be more responsive to currency movements.

The second half of the year has traditionally provided the majority of the full year earnings. The Board remains concerned about volatile economic conditions in our key markets, in particular Australia, and potential for further increases in raw material prices. If these concerns are realised over the remainder of the financial year, and current exchange rates persist, the Board's view is that Appliances' full year forecast operating earnings before interest and tax will be between \$10 million and \$20 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.

The Finance business is expected to experience soft retail conditions in New Zealand, but with only a marginal impact 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. Full year operating earnings before interest and tax for the Finance business is expected to be around \$32 million.

Group full year operating earnings before interest and tax are expected to be between \$42 million and \$52 million.

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