CHAIRMAN AND MANAGING DIRECTOR & CEO'S ADDRESS TO SHAREHOLDERS

INTRODUCTION

Chairman:

Good afternoon Ladies and Gentlemen.

It is my pleasure to welcome you all to the 2010 Annual Shareholders Meeting of Fisher & Paykel Appliances Holdings Limited. This year we are hosting the Shareholders meeting at our corporate office, so that many shareholders on their first visit to our Auckland facilities can see our product range, and not least, there is a considerable cost saving.

I have been advised that a quorum of Shareholders is present and declare the meeting duly constituted.

Before we start the formal business of the meeting, I would like to introduce my fellow Directors.

On your right from the end are: Philip Carmichael, Peter Lucas, Gary Paykel and your Managing Director and CEO, Stuart Broadhurst.

And on your left from the end are: Simon Botherway, our Deputy Chairman John Gilks and our CFO & Company Secretary – Mark Richardson. Lisa Tan unfortunately was unable to attend this meeting and offers shareholders her apologies.

I would also like to extend a special welcome to Lindsay Gillanders, who retired immediately prior to this meeting.

I propose to open the meeting by giving an overview of the Company's performance and key areas of focus by the Board during the 2010 financial year.

Your Managing Director and CEO, Stuart Broadhurst, will then discuss the operations of the Appliances and Finance businesses.

Following Stuart's address, I will briefly comment on the outlook for the current financial year and then there will be an opportunity for questions and answers.

The formal business proceedings this year comprise four resolutions, which are contained in the Notice of Meeting. I will outline the procedures ahead of each item.

The Directors standing for re-election are Mr Peter Lucas and myself.

Mr Simon Botherway and Mr Philip Carmichael, who were appointed as Directors by the Board during the year, offer themselves for election.

Each will speak briefly before the relevant votes are conducted.

CHAIRMAN'S ADDRESS

Chairman:

<u>Overview</u>

In looking back at the last year, it has been a difficult but defining year for the Company.

It was a year which realized the completion of the Global Manufacturing Strategy that commenced in 2008. There is no question that shifting manufacturing to low cost countries was the right strategy for the Company. Unfortunately the implementation of the Global Manufacturing Strategy coincided with a sudden and dramatic drop in demand across global markets. Despite actions taken by the Company to reduce overheads and capital expenditure, as the Global Financial Crisis deepened, earnings were significantly impacted.

The combination of reduced earnings, additional debt incurred to fund manufacturing relocations and delays in planned property sales, resulted in increased pressure on banking covenants. The decision was taken to completely restructure the Company's balance sheet with the assistance of our Banking Group, new strategic partner Haier and from our shareholders who participated in a rights issue.

This was the position we found ourselves in at the Shareholders meeting in August 2009. At the time questions were raised regarding the Company's ability to successfully navigate through the immediate challenges – executing the remaining factory relocations, and continuing the debt reduction programme in the context of tough market conditions.

In this respect the 2010 financial year has been a watershed year for the Company. The relocation and commissioning of new manufacturing facilities are now complete, reliable and adequate supply has been restored, the transitional stock build has been sold down and our debt levels reduced significantly.

Net debt as at 31 March 2010 was $173 million, compared to $459 million as at 31 March 2009. In recognition of our improved debt position, the Company reverted to more normalised banking arrangements in March 2010.

Importantly, there are no further abnormal costs envisaged in the year ahead.

It was a year when a new Chief Executive Officer was appointed, and a number of changes occurred in the senior management team. There were also significant changes to the Board, with more set to follow.

Most of all it was a demanding year for employees and the Board would like to record its thanks for their continued efforts. It was a disappointing year for shareholders and we acknowledge your continued loyalty and support.

Financial Result

Turning now to the financial result. In the context of difficult demand conditions and disruptions experienced during the year, the Company delivered an improved second half result, but overall a disappointing result for the full financial year.

The Group reported a Normalised Group Profit after Tax of $18.0 million, which was within the market guidance range provided in November 2010, of $16 to $23 million.

One-off items included $15.4 million of costs associated with factory relocations, $8.3 million in redundancy costs, and debt restructuring costs of $11.1 million. Total impairments and fair valuation adjustments for the full financial year amounted to $102.3 million before tax.

After including all one-off costs, impairments and fair valuation adjustments, the Group reported a loss of $83 million for the year, compared to a loss of $95 million for the previous year. A substantial amount of these reported losses was a reduction in the carrying value of certain assets and was not a cash cost to the company.

The Appliances business continued to experience the impact of the global recession with market demand conditions remaining weak for longer than anticipated. Appliances operating earnings before interest and tax for the period ending 31 March 2010 were $29.4 million compared with $55.6 million for the previous corresponding period. The business was impacted by supply constraints and experienced disruption during the manufacturing relocations, which was particularly evident in the Australian market. The Appliances second half result was encouraging and is evidence that the benefits of the Global Manufacturing Strategy are starting to be realised. Appliances operating earnings before interest and tax for the six month period ended 31 March 2010 were $23.7 million compared to $5.7 million in the first half.

Excluding abnormal items the Operating margin for the Appliances business was 2.9% and return on capital employed was 6.1%. While the second half metrics are considerably higher, being an operating margin of 4.7% and return on capital employed of 9.8%, the Board would expect a significant improvement in these metrics as the cycle returns and the full benefits of the Global Manufacturing Strategy are realised.

The Finance business recorded an outstanding result despite depressed New Zealand retail conditions. Full Year Operating Earnings before Interest and tax were $28.9 million, representing a 37% increase on the last financial year result of $21.1 million. The result was built on lower funding costs, improved credit and arrears management, and cost containment. It was a pleasing result in an environment where so many New Zealand Finance companies have been found wanting. Fisher & Paykel Finance Limited obtained a long-term issuer credit rating of 'BB' outlook stable in February 2010 from Standard & Poor's and the business was accepted into the Government's extended New Zealand deposit guarantee scheme in May.

Leadership

At the 2009 Annual Shareholders Meeting, then Managing Director and CEO John Bongard announced his imminent retirement from Fisher & Paykel Appliances on medical grounds. You would recall Gary Paykel's warm tribute to John's 35 years with the Company at last year's meeting.

In the months that followed, the Board undertook an extensive international executive search for John's replacement. Over this time due consideration was given to the experience and skills required for the incoming CEO to successfully navigate the Company through its immediate issues and reposition the Company for the next phase in its evolution.

In December 2009, I was pleased to announce the appointment of Stuart Broadhurst to the position of Managing Director and CEO. Stuart has been with the Company for over 22 years and has been involved in nearly every aspect of its global operations. More recently Stuart was Chief Operating Officer for the Group and Acting CEO. It was the Board's view that Stuart was the best candidate to lead the business forward. The excellent progress in so many areas since that time has reaffirmed the Board's decision.

Since being appointed, Stuart has made a number of changes to the executive team including senior appointments from outside the Company. These new members bring fresh perspectives to the business and complement the talents and experience of the existing executives.

We should not under-estimate the operational improvements that this team will make now the significant distractions associated with the past two years have abated.

Governance

The Board's composition has changed during the year with the appointment of Mr Simon Botherway and Mr Philip Carmichael, as Directors and Stuart Broadhurst, as Managing Director and CEO.

In November 2009, Gary Paykel stood down as Chairman. While a public statement was made at the time, I would like to record the Board's thanks to Gary for his long and distinguished service to the Company over the last 50 years. Gary has indicated that he will remain on the Board until his retirement in August 2011.

During the year the Board has considered further the issue of director succession. As disclosed in the Annual Report, the Board has announced retirement dates for all long standing Directors.

- Mr Gary Paykel, as mentioned, will retire in August 2011.
- Mr John Gilks, Deputy Chairman will also retire during 2011.

- Mr Peter Lucas is seeking re-election at this meeting but will retire during 2012.

I will seek re-election at this Meeting and will remain on the Board until the succession process is at an appropriate stage for one of the directors to become the Company's Chairman. I expect this to be during the first half of calendar year 2011.

These retirement dates have been intentionally staggered to ensure a continuation of proper oversight, skills and experience until new Independent Directors can join the Board. It is critical for the business to attract Directors with the appropriate experience and skills sets, and that we offer a competitive remuneration package. We will revisit this point further when shareholders consider Agenda item 3: Directors Fees pool increases.

As part of the Board succession arrangements, Mr Lindsay Gillanders retired immediately prior to this Meeting. I would like to take this opportunity to thank Lindsay for his tremendous contribution during his long service to the Company as Legal Counsel and as an executive director prior to separation from Fisher & Paykel Industries Limited. Since separation Lindsay has been a non-executive Director of the Company and his contribution to the Board over the years has been invaluable. Lindsay, on behalf of the Board and the Company, I wish you all the best for the future.

I would now like to invite your CEO, Stuart Broadhurst to address the meeting. Following that I will comment briefly on the outlook for the business.

CHIEF EXECUTIVE OFFICER

Thank you, Ralph.

Good afternoon ladies and gentlemen.

May I also extend my own warm welcome to you all.

By holding the Shareholders meeting at this location it provides us with a unique opportunity to share with you many of the great Fisher & Paykel products we design and manufacture for our global customers.

Over the past year we have sought to significantly reduce the level of debt, and to hasten the improvement in the performance of the business. I am confident we are making good progress on both counts.

Today I would like to present an update on market conditions during the first quarter of 2011.

I will then provide an update on the key activities being deployed to enhance the business and I will highlight the progress made on the cooperation between Haier and Fisher & Paykel and, finally, discuss the Main Things that are important to ensure the future success of Fisher & Paykel Appliances.

The Group has produced a positive start to the current financial year.

In the Appliances business, market conditions remain challenging. Earnings have improved as a result of the initiatives undertaken. Appliances earnings for the period show a significant improvement compared to the first quarter ended 30 June 2009.
Sales for the first quarter were down 11% on the comparative period last year. However, the gross margin percentage lifted 4.4 percentage points, reflecting the benefits of the Global Manufacturing Strategy, and an increased focus on selling a more profitable product mix, despite having sustained increases in input costs.

A further important element is that no one-off costs, asset impairments or abnormal items were incurred.

Pleasingly, the Finance business has continued to generate a strong operating performance into the current financial year.

New Zealand

Retail competition in New Zealand remains intense and the first quarter of our financial year was characterised by the transition to new distribution arrangements.

The new distribution arrangements went live on the 1st of July 2010 and marked the end of an era for the Company. The previous arrangements have, in various forms, been in place for the past 50 years. The New Zealand sales team is excited by the opportunity and we have made significant progress in the new environment.

Trading has commenced with all new retail channels and all Terms of Trade have been agreed for the year ahead. Our Retailer Road Shows have been well received and a programme of ongoing product training for our new retail staff has commenced.

As expected, the business experienced some destocking by our existing EDA retailers during May and June. However, in late June we saw our new retail partners buying predominately stock for display ahead of the 1st of July change-over date, followed by stocking orders in July.

Haier sales have been stronger on the back of the advertising campaign launched in May.

Gross margin for the quarter improved strongly due to a change in currency exchange rates and a favourable product mix.

Australia

The Australian market continued to decline during the first quarter, with consumer confidence levels remaining subdued. Demand conditions, already weakened by the discontinuation of Government stimulus measures, have been further impacted in the run up to the Australian Federal Election.

While sales volumes of Fisher & Paykel branded product increased 8% relative to the first quarter in the previous financial year, reflecting our market share gains, the sales revenue was down 4% in Australian dollar terms as the mix changed and price points eroded. Market demand is estimated to have declined by approximately 6% in unit terms, in comparison to the corresponding period of last year. Gross margins have improved strongly, driven also by the continued strength of the Australian dollar.

On the 1st of April 2010, Fisher & Paykel commenced the distribution of Haier products in Australia. We are now through the transition period and while sales were slower than expected through this period, we are seeing rapid improvements in July and August.

North America

During the first quarter market demand in North America increased as a direct result of Government incentives, however, those incentives essentially ended at the end of June. Recently consumer confidence appears to be showing signs of slipping backwards.

Sales were down 2.3% in US dollar terms compared to the previous corresponding quarter. Noting that the comparative quarter last year included contract sales to a large customer – that is Jennair branded product sold to Maytag, revenue from the sale of our Fisher & Paykel and DCS Branded products was up 3.3% on the comparative quarter.

In the three months to June 2010, strong DCS sales compensated for lower Fisher & Paykel brand sales. Gross margins and operating earnings improved as a result of an improving sales mix. On a segmental reporting basis the North America Distribution Business was operating just below break-even for the period ended 30 June 2010.

We are on track with our strategy to broaden distribution, although sell through has been slower than expected. We remain confident that our product and brands have many key attributes which encourage our retailers to display them on their retail floors.

In early August I personally met the teams from the three Sears businesses in the U.S.A. The discussions were very encouraging with both parties looking forward to a mutually beneficial relationship. While it will take some time for our products to sell though and for the floor staff to undergo training in our products, the potential is significant. We have received orders for new laundry models into Sears Hometown stores. The roll-out of DishDrawer into Sears full line stores commenced in June, though to date only half of the 500 storefronts have the product displayed. It will take sometime for sell through as Sears still have quantities of the displaced competitor product available before a full switch to the Fisher & Paykel DishDrawer will occur.

We also recommenced our laundry relationship with Lowe's. Initial sales of laundry product to Lowes occurred in April and May. Progress has been slow, compounded by market competitiveness. We continue to work with Lowe's on new products and activity to achieve sell through.

The Canadian market continues to perform strongly, currently representing more than 20% of North American sales. This is a real opportunity for the Company. Our refrigeration offering is well received and with Fisher and Paykel's recent entry into "The Bay", which is North America's oldest retailer (established in 1670) and Sears Canada, we expect our growth to continue for some time, despite the recent tapering off of the growth in the market size more recently experienced in Canada.

Demand conditions have weakened post the first quarter, and competitor activity remains intense. We will see a lift in sales from the launch of our new refrigerators, DishDrawer wide, and new DCS product later this year.

Our focus remains on maximising profitable sales, broadening distribution and reducing the fixed costs of operating in North America.

International

There have been mixed results for sales to other markets around the world during the first quarter. Sales are up in the Middle East, Singapore and the Pacific region; however, European sales have remained subdued, in particular in the U.K. and Ireland.

Fisher & Paykel Italy started the new financial year well. Earnings are up substantially on the same period last year. New product development is expected to boost their offering in the second half of the year.

Margins and Cost Down

While revenue in New Zealand dollars is down, overall gross margins have improved. The result includes the impact of higher ocean freight charges, higher labour costs, an increased marketing spend and higher raw material costs. Recently, raw material prices have stabilised, however, there is considerable uncertainty regarding trends.

We continue to work on cost out opportunities, in particular through material localisation in Mexico and Thailand. Conversion costs at the new facilities are in line with expectations.

Finance Business

The Finance business has continued its strong performance during the first quarter.

The business has continued to benefit from higher net margins, cost containment and a continued focus on asset quality and credit management.

The business continues to maintain a strategy of maintaining funding diversity and has been accepted into the Crown's Extended Guarantee Scheme until December 2011. However, the Finance business could comfortably operate within all of its financial covenants without sourcing any funding from the debenture market.

Key Activities

As Ralph has noted, the past year has been an exceptionally difficult one; a year that has required a sound assessment of the critical needs and priorities. This has been a catalyst for significant change in our business. Our key activities deployed to enhance the business have been:

- Completing the global manufacturing strategy to ensure uninterrupted supply of cost effective, quality product to our customers, was an obvious imperative.

- Likewise the need to carefully manage down the excessive debt.

- A focus on stemming the losses last year from the US Distribution business by reducing staff and other fixed costs and increasing distribution opportunities was time critical.

- Transitioning the Mexican manufacturing facility to operating profitability was also clearly urgent.

There were also a number of other short term priorities:

- Improving our distribution in New Zealand.
- Recovering the loss of market share in Australia.
- Providing clear direction to the Product Development team on what the business needed from them.
- Reducing costs.
- And improving the quality of our product and service.

Changes have been made to reflect a commitment to create an organisation that is transparent, proactive, customer focused, adaptable and one that strives to increase its organisational capability to deliver extraordinary results.

A primary focus is to provide our customers with a product that meets their expectations. To continue to achieve this goal we need to increase our investment in the development of new products to enhance and protect our premium margin position and to improve significantly the quality of our products to protect and build the reputation and value of the Fisher & Paykel brand.

However, Strategy is no good alone – we needed to improve the structure and systems to deliver results. Good progress has been made here.

Complementing this has been the process to ensure we have the right people on board.

Over the past year the majority of the eight most senior Appliances Executives have been new appointments to their positions, including a number of external appointments.

Recently Craig Reid joined as Chief Sales & Marketing Officer. Craig was Managing Director of Panasonic New Zealand and has extensive relationships throughout the New Zealand, Australian and Asian appliance industry. In July, Dale Farrar joined the Executive Team as Vice President, Human Resources. Dale has held a number of senior HR positions in significant New Zealand companies including Air New Zealand and Fonterra. Matt Orr joined as Vice President Corporate Planning and Investor Relations from Deutsche Bank. These appointments bring a fresh perspective to the Company and augment the experience and talent of the existing team members.

To further ensure activities are now aligned to business goals and to drive behaviour to ensure financial targets are achieved, a larger proportion of senior employee income is now dependant on delivering results. Each senior manager has key performance indicators and targets linked to a set of action plans consistent with the outcomes desired.

Haier Partnership

I turn now to our strategic partnership with Haier.

I am delighted to announce that we have recently entered into a technology Licensing Agreement with Haier in relation to the development, design and manufacture of Direct Drive washing machine motors. This is a significant milestone for both companies.

This Agreement is similar to our Agreement with Whirlpool. We have commenced prototype tooling for the motors and designed the electronic controller. First orders have been received and we expect to commence production for Haier in the current financial year.

This represents a significant opportunity for Fisher & Paykel and builds upon our position as a world leader in direct drive motor technologies. We are delighted that Haier has chosen Fisher & Paykel as its future direct drive motor partner of choice.

I am further pleased to announce that our Production Machinery business has been successful in tendering for a project to build and commission a bowl line for Haier. This project is potentially the first of many opportunities for PML with Haier.

The first Fisher & Paykel Experience Centre opened in Hangzhou in May 2010. There are plans to open three more showrooms in Beijing, Shanghai and Guangzhou over the next 12-24 months. The next store will open in Shanghai and work has commenced on identifying a suitable location. The stores aim to raise brand awareness and target the property developer and architect market in China.

While sales of Fisher & Paykel product into China have been slower than expected, there is no doubt that both Haier and Fisher & Paykel are committed to making the brand a success in the Chinese market.

In May we hosted the Vice President of China Mr Xi and his delegation to Fisher & Paykel's facility here in Auckland. The visit demonstrated the links being developed between New Zealand and Chinese companies. Importantly, the media contingent from China covered Mr Xi's visit and our products reached prime time news in China. This can only be positive for building awareness of the Fisher & Paykel brand in China.

Future direction

I would now like to touch on the future direction of the company.

In recent years the strategic focus of the Group has broadly been threefold – global expansion, development of differentiated, innovative products and cost reduction, primarily via the Global Manufacturing Strategy.

The core elements of this strategy are fundamentally sound, notwithstanding we experienced difficulties in executing this Strategy during the global recession.

Going forward the key to our business success will be determined by how well we deliver on five Main Things. We are focused on these five things to improve the return on capital employed.

1. Business Excellence

It is not just about having the right Strategy. It is about having the systems and processes in place to deliver the Strategy and to allow the right Strategy to be implemented quickly in response to a rapidly changing environment. The good news is that we already have a number of these systems in place. However, the implementation of an organisational excellence framework will ensure this is integrated and self sustaining.

2. Delivering Customer Benefits

There are two elements here to consider.

Firstly, Creating the organisational capability and infrastructure to continuously gather actionable customer data and use it to drive the development of innovative differentiated product.

And Secondly – Ensuring the quality of Fisher & Paykel products exceeds the customer's expectation

3. **Organisational Capability**

We must create the right environment and retain the talented people needed to achieve our goals.

4. **Disciplined Market Growth**

Our expansion strategy has focused on North America and Europe. This will continue.

We have been applying further resource to our key home markets of Australia and New Zealand. Our goal is for the combined Fisher & Paykel and Haier Brands to become the dominant player in the Australian market in the future.

We will increasingly focus on Asia, particularly China, as a source of future revenue growth. We are developing product for the Chinese market which will also be suitable for other markets in Asia. In future we expect to see an increasing proportion of revenue and earnings being generated from the Asian region.

5. **Cost Reduction**

Cost reduction has been a strong focus in the company for many years. We have completed our announced Global manufacturing strategy and this has largely realigned our manufacturing cost base with our competitors. All remaining manufacturing sites continue to be under review. There are no plans in the current financial year to shift any manufacturing sites.

Given the disadvantages of our relatively small scale, we must continue to optimise costs across all aspects of our business to ensure we remain competitive. We are continuing with our planned cost out activities across the Group. In addition, we are undergoing an independently led enterprise cost reduction programme, looking at all aspects of the business to deliver further operating profit improvement.

In the last financial year we took a number of decisions designed to boost short term profitability and cashflow in order to meet banking covenants. We are now through this period and while we will not ignore short term profitability, we do need to reinvest for future growth. For example, we are busy recruiting Engineers to help us deliver on the Product Plan.

Fisher & Paykel Appliances is in a significantly stronger position today, however, there are challenges ahead. It is imperative we continue positioning the business to perform strongly in an environment where achieving top line revenue growth is difficult.

We must also ensure that we are positioned appropriately to enable the business to capitalise on the upswing when it occurs.

CHAIRMAN'S ADDRESS

Chairman:

Thank you Stuart.

I would like to express my thanks and those of my fellow Directors to Stuart, and his teams in Appliances and Finance for their contributions to the Company during the year.

Now turning to the outlook for the current financial year.

Debt reduction continues to be a priority for the Group. We are pleased to announce that the Total Leverage Ratio has now moved from a monthly test to a quarterly test. This condition was met in May after the business achieved a Total Leverage Ratio test of below 2.5 times for three consecutive months.

When the sales of the Cleveland and East Tamaki Lot 2 properties are completed, the proceeds will be applied to further reduce debt. The Cleveland property in Brisbane, Australia is currently under offer and the process of subdividing East Tamaki Lot 2 into four separate titles is nearly complete. Total net proceeds from both property sales are expected to be around 40 million dollars.

While the Balance Sheet position is improving, market conditions continue to remain uncertain. In respect of dividends, the Directors intend to resume dividend payments as soon as fiscally possible. Whilst the Company will not be declaring a dividend at the half year, the Directors will give serious consideration to resuming dividends at the end of this financial year. Of course that will depend on external circumstances and the ensuing demand.

I now turn to the outlook for the remainder of the financial year. Market conditions in our key appliance markets continue to remain uncertain. We agree with market commentators that any recovery in the U.S. and New Zealand is likely to be further delayed. While the Australian market performed better than all others in the last financial year, demand has since weakened and is expected to remain subdued through the current financial year.

Our business is focused on expanding our global revenue opportunities, but these will take time to reach fruition. Cost containment, as ever, remains a priority.

The Finance business is expected to continue to perform well. We have maintained our focus on cost containment, credit and arrears management. We are confident that we have sufficient funding arrangements in place and continue to pursue a policy of funding diversification.

The Board's present view is that Appliances' full year forecast earnings before interest and tax will be at the lower end of the broker consensus range of $45 million to $52 million, however the Finance business will be at the top end of the broker consensus range of $25 million to $34 million. The Board is increasingly concerned about the risk of further deterioration in economic conditions across our key appliances markets. If these concerns are realised, achieving the full year forecast will be challenging. The Board will have a much clearer view on this matter at the time of the half year announcement in November 2010.

This concludes my comments on the outlook.

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