

27 July 2006

## Announcement

### Methven Builds Platform for International Expansion

Methven has the potential to become a global brand with its world leading showers.

“Our export push to create increased shareholder wealth will be a planned and carefully managed process extending over an 8-10 year horizon,” Managing Director and CEO, Rick Fala told shareholders at the company’s Annual General Meeting.

“The key to unlocking our potential is not only to have innovative and well designed products, delivered by a world class manufacturing, logistics and marketing system, but also to deliver - as integral to the package - a unique brand experience. For us that is showers that stand out because they provide the ultimate showering experience.”

Methven’s unique, proprietary Satinjet shower technology would be the trailblazer for expansion into chosen international markets, starting with the USA, Europe and in due course the UK and Asia.

“If we are successful the impact on the value of our company will be significant,” Mr Fala said.

Mr Fala said that outsourcing production to gain additional efficiencies and provide the capability to upscale supply quickly was a key part of the strategy to build shareholder wealth.

“We’ll continue to manufacture some products in New Zealand for testing and refining before we release them internationally, but outsourcing is now a core activity for us and it will accelerate,” he said. “We have to have product available in large volumes and be able to deliver it on time, every time, to a customer’s specifications. We also have to mitigate the rising costs of core material, including brass, and are currently scoping other opportunities to gain savings, which of course includes identifying lower cost suppliers.”

Having maintained its track record in 2005-06 of consecutive annual growth, overcoming testing market conditions in Australia and New Zealand, Mr Fala said that realising opportunities to increase profitability from the key trans-Tasman home base would be critical to supporting the international expansion strategy.

"2006-07 is shaping up to be a challenging year. We expect some further market softening in New Zealand, although we believe we are reasonably well placed given our relative focus on the still active renovation and upgrade segment and our intention to continue to provide a full range of tapware, showerware and valving products," he said.

"In Australia we expect to achieve continued growth with improving profitability in the mid to high end tap and showerware segments and to consolidate our number two position in valving, but it will be tougher going as our competitors appear to be paying us greater attention."

Mr Fala said European sales were expected to be modest as the Satinjet offering was being customised to French and Italian consumer specifications while the focus in the US would be on establishing the market infrastructure with a gentle start to sales and momentum gathering towards the target of achieving profits in the second half of 2007-08.

## **Outlook**

Overall, Methven expects the first half of 2006-07 to be pretty much in line with the strong first half performance of last year. However, the anticipated lift in Australian earnings would be substantially offset by the US market establishment costs which were not being incurred in the same period last year.

For the second half of the year the company is targeting increased profitability on the back of cost efficiency gains from production outsourcing and expected sales momentum from new product releases, including forecast modest sales contributions from the US market.

"We're at the start of a new era for Methven," Mr Fala said. "To ensure we achieve our objectives, we have to continue to generate profitable growth from growing sales in our established markets, keep costs down through outsourcing manufacturing and manage our expansion plans to deliver the results."

AGM presentations are available on [www.methven.biz](http://www.methven.biz)

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