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Methven Group Managing Director and CEO
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Thanks Phil.

We have delivered another year of profitable growth under most trying conditions.

The results were pleasing and provide us with confidence that our tactics are right and timely and that our international growth strategy will carry us through this global recession and see us pick up the pace to realise new opportunities.

We finished the year with solid results. EBITDA was up 4.4% to \$19.8 million on Group revenue of \$137.3 million, an increase of 19.7% over the previous year, and we achieved a net profit of \$10.1 million, a modest gain of 3.1%.

We also continued to make good progress in our international market and product diversification strategy. Offshore sales now account for 73.0% of our total revenues.

The UK delivered a stand out result in its first full year contribution despite dire trading conditions which are only going to get worse. We also had encouraging early sales into the Middle East.

New Zealand sales were only down 10.7% as we grew market share in the renovation segment where we have real strength and which is proving to be more resilient in the economic downturn.

Australia started well with new record highs sales for Satinjet showerware, up 17%, and held share in the valving segment. But, we finished short of target when the market turned and EBITDA dropped as we couldn't make up sales to cover the increased sales infrastructure investment.

We made the hard decision to pull back in the US to service the market out of New Zealand. As a result we have cut the losses to \$900,000 for the year under review and should be cost neutral by the end of the current financial year.

Our management team were set high targets to reduce costs and optimise capital expenditure and working capital levels to achieve savings, efficiencies and maintain strong positive cash flow.

The efforts are reflected in the debt reduction of 17.7% from \$32.6 million to \$26.8 million.

We also achieved a new level of efficiency in our supply chain, leveraging the Deva global sourcing capability to reduce the cost of products. We introduced selected value end Deva lines into the Australasian sales mix to provide new price points that will have appeal in these tough times.

We did not neglect the competencies that give us a leading edge. Design is at the heart of what we are about and we continued to look for unique products that targeted the hotel and wellness sectors.

Our new products included our exciting Methven HomeSpa beauty range. This started with the launch of the Maia beauty shower with its in-built chlorine neutraliser and has now been extended to shower Infusions, currently being test marketed in New Zealand.

So all in all it was a good year.

We expect 2009-10 to be hard going due to the worsening economic climate, particularly in the UK.

But we are poised to make the most from the conditions and remain alert to new opportunities that will continue to deliver long term benefits.

I'd like to now give you an overview of our various markets' trading conditions.

The short term economic outlook in our key markets is for weakening demand, although we still expect the core renovation and replacement business to be less affected than the seriously depressed new build segment.

Let's start with the UK.

The outlook for the UK economy is for a long recession. The latest figures for the year to 31 March recorded a negative 4.9% GDP and unemployment has risen to 7.6% and is expected to continue to worsen.

The implications for our UK operation are that there will be a significant decline in the 2009-10 year. While we have made great strides in improving our market share we are unable to offset the continuing fall in volumes and squeezing of our margins due to intense competition.

Our plan is:

1. to increase sales of our proprietary products. A key opportunity is Satinjet showers for the UK hotel sector

2. we will put Deva tapware into Australia and New Zealand to meet the low end gap in our existing product ranges
3. we will extend distribution of Deva tapware and proprietary products to the Middle East
4. we'll look for better buying opportunities from new suppliers
5. review our marketing spend and fixed overhead structure to obtain maximum efficiencies.

We know our home market is going to be very difficult. Combined building permits have dropped 26.0% for the year to June 30th with new build down 42.0% and renovation permits down 10.0%.

However, we actually grew our market share in 2008-09, based on our strong service levels and ability to hold stocks for our merchant customers, combined with the release of new and innovative products.

The outlook for 2009-10 is for a reduction in sales and profitability for the full year.

Our action plan is:

1. leverage savings through Group sourcing from China and elsewhere
2. increase tapware market share by providing a much wider range of price points and introduce Deva sourced tapware at the low end
3. target the hotel sector with Satinjet shower products to provide water and energy savings
4. test market the new HomeSpa Shower Infusion range to the plumbing, wellness and beauty markets

Of all of our markets, not surprisingly the Australian economy is in the best condition, narrowly avoiding a technical recession.

GDP is up 0.4% for the year and there are signs that building activity is slowly improving. In the quarter to April 2009, there was a 13% rise in the value of addition and alteration loan approvals compared with the same period in 2008.

Our investment in the sales and marketing infrastructure from the previous year is expected to yield benefits in the current financial year.

Our outlook for 2009-10 is for a strong improvement in Australian sales and profitability based on targeting the tapware market - where we currently have a low market share - and the valving sector with a much broader and more competitive offering.

Our action plan is:

1. increase market awareness of water and energy saving benefits of the Satinjet shower technology
2. market the new Tahī and Kiri product ranges to the mid and upper segment
3. introduce low priced Deva tapware to extend our distribution reach
4. market a broader offering of NEFA valve range using the increased sales infrastructure
5. continue the push into the hotel sector where we have already refitted 8,000 plus hotel rooms with Satinjet since 2005

Moving to the USA, due to our continued losses and the current economic crisis there, we have closed our fledgling US-based operation and are now providing all support out of New Zealand.

We therefore expect our losses to reduce from last year's \$900,000 to closer to break even at the end of the current financial year.

The plan is:

1. search for distributorship opportunities to take on all Methven products to allow us to focus on our core markets

Now that I've talked about our divisions and the markets they operate in, I want to focus your attention on the key strategy and opportunities that exist for the Methven Group.

We want to be a leading global brand, recognised and loved worldwide for delivering superior, life-enhancing shower experiences, creating a sensory revolution in the shower.

It is the shower where Methven has unique and proprietary technology. If we are able to win the shower then we are most likely to win the fit out of the bathroom with the matching tapware.

Consumers around the world have told us what they want from their shower: personal space, time out to relax and indulge, rejuvenate and think. At the same time they want stylish, user friendly showers and they want to know that they are energy and water efficient.

Merchants have told us they are looking for unique products with features that bring added benefits at a wide range of price points.

Plumbers are looking for products with high reliability and easy installation.

New sectors like the hotel markets have told us they want water and energy saving products that provide guests with a luxury shower experience.

Methven Satinjet showers deliver that promise of luxury showering without compromise for the planet - everyday.

For Methven our unique Satinjet technology sets us apart from conventional showers.

Conventional showers use single jets of water that can produce a narrow, needle-like spray.

Satinjet technology uses twin jets of water that collide and turn into thousands of tiny droplets - up to 3,000 drops per second hitting the skin.

The Satinjet technology allows us to produce a luxurious feeling shower at low flow rates.

Who needs Satinjet?

Who needs to save water and energy?

1. Those countries suffering from water restrictions or drought
2. Hotels – the hotel industry is suffering from falling occupancy rates and declining margins
3. Merchants – they want product differentiation to avoid the ‘me too’ syndrome and provide the opportunity to increase margins
4. People who just want a great shower

We continually ask: What makes the perfect shower? How much water is needed to maintain the feeling of a full flow shower? What should it look like? What should it feel like?

We are redefining the shower experience - from functional to emotional, cleansing to transformational, plumbing to beauty and wellbeing.

We’ve taken the platform technology we pioneered into a whole new sphere – part of the sensory revolution I told you about last year when we launched the world’s first beauty shower, Satinjet Maia.

This is a hand held shower with a unique Vitamin C filter to neutralise chlorine to help purify the water and better protect the face, skin and hair from drying out as well as a unique facial massage spray.

In 2009, another world first is being trialled – Methven Shower Infusions.

It's a simple idea that enables an ordinary shower to be transformed into a personal home spa by introducing aromatherapy and hydrotherapy to the experience.

It comes with a patented infusion pod that can be easily attached to an existing shower system. The pod includes a cartridge that is filled with naturally based essential oils, vitamins and fragrances to transform the mood and pamper the skin. The shower infusion is released when the shower water runs through the pod.

A range of Methven exclusive hand and body products has also been produced to sell alongside the Shower Infusions to create a total HomeSpa experience. You can see it and get the feel of it after the meeting.

At this stage the Infusions are only being test marketed in New Zealand to ensure we have a proven sales model before extending distribution.

They can be purchased at Auckland's premium Smith and Caughey department store in Queen Street, Life Pharmacy outlets and via our website at www.methven.com.

We've made much of the opportunity for expanding into the hotel segment for Satinjet retrofits globally. This is an immediate priority.

We can provide a compelling combination of delivering potential energy and water savings, coupled with a luxurious guest shower experience with a simple, cost effective retrofit of existing showerware.

We've got a good track record, having retrofitted well in excess of 8,000 rooms in Australia alone and are ready to take the offer into other markets.

We're also keen to expand our geographic market reach beyond Australasia and the UK in our bid to become a globally recognised brand.

A complementary export model is being developed with dedicated expertise to seek out plumbing and DIY distributors in new markets, including Asia, South America and Europe, for our wide range of showerware, tapware and valving.

This new market development initiative is very much part of our diversification strategy to de-risk the business, generating fresh growth quickly and cost effectively.

All in all we are fit to meet the business challenges.

As Phil said we have an appetite for growth and strategies to achieve that, despite the recession.

We will do all that is necessary to optimise performance.

We'll control costs and lower our debt; expand our market reach into new markets, niches and channels; match our products, pricing and positioning to the times; and continue to invest in strategic developments that will see Methven lead the world in creating new luxurious showering experiences.

No one expects it to be easy but we relish the opportunity to show how good we really can be. We are equipped to take on the difficult times and make it work for you.

Thank you.