Phil Lough

Methven Group Chairman

Methven Annual Meeting

28 July 2009

Shareholders, ladies and gentlemen, welcome to the 2009 Annual Meeting of Methven Limited.

I'm your chairman, Phil Lough.

We look forward to this important event to report direct to our owners on our performance and to talk through our expectations, discuss the challenges we must manage, especially in these uncertain economic times, and tell you more about our strategies to build sustainable shareholder value.

We are meeting today in the Auckland University Business School and we are pleased to be invited to be here. Methven is also a learning institution - driven forward by world class innovation and a constant challenging of our business models where we strive towards the ultimate showering experience.

So let's get started.

The Company Secretary has confirmed that the notice of meeting has been sent in time to all registered shareholders and others entitled to receive it.

As we have a quorum present, I declare Methven's 2009 Annual Meeting to be properly constituted and open for business.

I'd now like to present to you my fellow directors.

On my left are:

- Rick Fala, our Managing Director and Group CEO
- Richard Cutfield, a non Executive Director and your immediate past chairman
- Gary Nel, Executive Director and Chief Executive Methven New Zealand
- And Peter Stanes, who is one of our three independent directors.

- At the end of the table is Deidre Campbell, our Chief Financial Officer, and also present are other members of the Global Management Team, including our CEO from Australia, Matthew Crichton.
- Our company auditors, PricewaterhouseCoopers, our solicitors, Simpson Grierson, and our bankers, Bank of New Zealand, are also present.

No apologies have been received from shareholders. Are there any apologies from the floor? These will be noted in the minutes.

…………………… shareholders have appointed proxies for the purposes of the meeting in respect of ………………………………shares. Most of these proxies have been directed.

As Chairman of the meeting I hold …………………proxies carrying …………………..votes.

The minutes for the last meeting have been signed as true and correct and I propose that the Notice of Meeting be taken as read.

This completes the formalities so now to the agenda.

I'm going to start by reviewing Methven's performance and progress in the past year and then explain our strategy for managing and mitigating the many challenges imposed on the business by the global economic recession.

This is going to be a very tough year but I'll also show you how we are finding new opportunities for fresh growth and ensuring we will be strongly positioned to take advantage of the eventual recovery.

Your Board believes it would be prudent to provide a profit forecast for the forthcoming year given that we have just completed our first quarter results and now have a somewhat better understanding of what lies ahead of us.

We will keep you informed of progress through the year and our Group CEO, Rick Fala will shortly give you the game plan for optimising performance in the short to medium term, setting the business on a sound foundation for sustainable growth in the longer term.

After Rick's presentation we'll move to the business agenda, which begins with discussion and adoption of the Annual Accounts, followed by three resolutions for shareholders to consider, including re-appointment of our auditors and the re-election of two directors.

I'll then open the floor for other business before inviting you to join the team for refreshments and a chance to experience some of the latest innovations in the exciting and expanding Methven brand range.

I'm going to start with reviewing our performance in 2008-09.

It was a good year for Methven Group.

We maintained our track record of year on year growth in bottom line profit, revenues and earnings and most pleasingly also reduced bank debt despite an incredibly difficult trading climate.

We employed a focused, effective yet flexible global strategy to deliver the results – and our mix of strategies appears to be very appropriate for dealing with such a risky and uncertain international environment.

It is based on diversifying revenue sources across a spread of international markets, product ranges and price points, developing our core competencies in design, innovation and brand marketing and knowing how to extract cost and build efficiencies throughout the supply chain. Doing all of this while staying as close to our customers as able.

So let's look at some of the achievements for the year to 31 March 2009 and how the performance and underpinning business strategies will contribute to building this business of yours.

Importantly, we cut debt to $26.8 million from $32.6 million and we think we can trim debt further, to leave us well positioned to better withstand the vagaries of the uncertain economic outlook.

After a challenging second half, the year to 31 March ended with NPAT up 3.1% to just over $10.0 million, in line with market guidance. This included one-off UK tax credits of $636,000.

Group Operating Revenue increased by 19.7% to $137.3 million and EBITDA went up 4.4% to $19.8 million.

The result reflected the full year contribution of Deva Tap Company in the UK which produced an outstanding result given the awful trading climate, in one of the markets worst affected by recession.

As expected, New Zealand sales contracted, a result of the slump in building permits issued over the period.

Pleasingly, Methven increased domestic market share, particularly in the renovation segment, fine tuning the offering to better cater for consumers' changing needs with a wider range of choices and price points.

Australia started strongly with continued good growth in Satinjet shower and tapware sales but the slowdown in the second half saw us unable to meet projected sales targets to cover the additional expenditure in the sales and marketing infrastructure to support ongoing performance.

We made the call to cut our losses in the United States, pulling back direct representation to service customers from New Zealand, and we expect to be cost neutral by the end of 2010 financial year.

In hard times cash is king and the Group produced solid operating cash flows which enabled the 17.7% reduction in debt for the year with hopefully, more to come.

We are also operating comfortably within our banking covenants.

We have good relationships with our bankers and have favourable debt financing arrangements which are in place to August 2010.

We also have every confidence that our strategy to internationalise the business is working to deliver the best possible results and position us for the eventual upturn so we achieve our long term vision of being a global brand, known for delivering new and superior showering experiences – and Rick will tell you more on that.

So in summary, we have done well, but we are not immune to the ravages of the economic recession.

That's why we reduced the final dividend to 5.5 cps paid on 30 June 2009, down 8.3% or 0.5 cps on prior year. The gross dividend of 7.86 cps was fully imputed for New Zealand shareholders at 30.0%. In addition, a supplementary dividend of 0.9706 cps was paid to non New Zealand resident shareholders.

Just a word about the availability of imputation credits going forward. Any 2009-10 interim dividend is expected be fully imputed but as offshore earnings increase we expect dividends after that will be less than fully imputed.

So what lies ahead?

As I said we are now in a position to provide you with guidance having completed our first quarter review and gathering key information to give us a better picture of the 2009-10 year potential outcomes.

Full year Net Profit is forecast to be 15 to 20% down on the previous year, mainly as a result of worsening trading conditions in the UK which has seen;

- GDP drop of 4.1% in just the last six months
- falling sales volumes
- intense competition resulting in reduced margins
- new house building down 50.0% and
- increased metal prices without any ability to pass these on to customers

But, despite these factors our UK team have successfully been able to protect our market share.

New Zealand continues to trade well in these conditions but we expect a slight fall in full year profitability compared to last year.

Improving economic conditions in Australia are expected to positively impact on our result in comparison to last year.

As far as our balance sheet is concerned, we expect our Net Debt to reduce by a further 20%.

Given that, we anticipate dividend levels to be similar to current levels.

As we have previously indicated the first half will be very trying and we are now forecasting our half year NPAT operating result to be down by 20 to 25% on the same period last year, but on the positive side Net Debt is expected to reduce by 30%.

Yes we are being practical and careful, implementing very strict cost containment measures, seeking operating efficiencies across the company and freezing salaries, but we are **not** pruning back on growth activities in areas where we believe we can lift profitability and market presence. Indeed we are investing further in this area.

Tough times can be times of opportunity. We are looking for those opportunities.

So for every downside we have to find a greater upside and for every risk we must find the way to mitigate its negative impact.

For instance, we know home construction is badly affected and that spending is down generally. What do we do? We focus on the renovation and upgrade segment which is still going relatively well, by ensuring we have the right ranges available from premium to low cost showerware and complementary tapware, to suit individual circumstances and preferences in all our key markets.

We are promoting to households the demonstrable water and energy savings of our proprietary Satinjet showerware used under various water pressures and see huge potential for retrofitting our twinjet technology in hotels which are looking for every opportunity to lift margins and savings.

We're going to leverage our growing portfolio of unique, branded products from high end, flagship Satinjet showerware and tapware right through to value end Deva tapware and effective valving products in our traditional markets, and also seek distribution arrangements in non traditional markets in Asia, the Americas, the Middle East and Europe.

We're enhancing the Satinjet ranges and offering new tapware as well as adding excitement to the brand with our new platform HomeSpa Shower Infusions range, another world first innovation by Methven that creates a new showering experience.

You can get the feel of the Infusion ranges and natural body and hand creams after the meeting.

Now I know you may have questions about Satinjet after the Commerce Commission has told us it intends to prosecute us under the Fair Trading Act for allegedly making misleading claims in advertising relating to the extent of water savings achieved by Satinjet.

As we said in our letter to shareholders earlier in the month, we have an unshaken belief that our proprietary Satinjet technology is leading edge and worthy of being our flagship product.

We stand by the integrity of Satinjet showers.

Fitted with the appropriate flow restrictors, they do deliver a superior shower experience and produce the water and energy savings claimed when compared to conventional showers run on mains pressure at a flow rate of 20 litres per minute.

The Commission did not question Methven's results in this respect.

We will defend the charges and we do **not** expect a material financial impact on the company.

We will keep you informed and we will continue to promote our energy and water efficient Satinjet showerware ranges in New Zealand, Australia and emerging markets in the UK and elsewhere.

Satinjet is a vital contributor to fulfilling our aim of delivering unique and luxurious showering experiences that look great, work efficiently and effectively and are kind to the planet. There is no better time to be marketing energy and water efficiency. We are in the market with the right products at the right time.

Methven has inherent competitive strengths as a design, innovation and customer led company.

We can turn a home shower into a home spa with Methven Shower Infusions, retrofit a hotel room with an energy and water efficient Satinjet shower or provide a suite of complementary bathroomware to fit an individual's taste and pocket.

We have confidence that Methven has a robust business model geared to international expansion, clear and achievable strategies and a team of highly competent and dedicated people able to manage through difficult times. Indeed our people are our secret weapon. Just look at the financial results to date. These come from some brilliant people, thinking differently than our competitors and innovating in a most exciting market segment.

We are now operating an increasingly efficient global supply chain, based on New Zealand as the centre for the design and prototyping of new products, which are then manufactured in Asia, by our proven, quality partners.

So we remain confident that we can weather the volatile climate and stay on track to build a profitable future, but no one should under estimate how hard it is going to be.

We have now provided market guidance on the 2009-10 year. Trading conditions in all Methven's key markets will remain extremely challenging. We do not expect the company to be able to replicate the first half performance of 2008-09 as I have said, but there is an upside.

Debt should continue to reduce. We are investing in new developments which we believe will provide long term growth and improved returns for shareholders.

We will keep the market and shareholders up to date, and now Rick Fala, our Group CEO, will now talk to you about how Methven is going to make the most of the opportunities and challenges in front of us.

Thank you.