METHVEN
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30 October 2008

NZX and Media Announcement

Methven lifts Half year result despite tough Market Conditions

Performance Summary

- Group NPAT up 29.4% from $3.8m to $5.0m (up 13.1% before extra UK tax credits of $626,000)
- Group operating revenues up 65.9% from $43.2m to $71.8m
- Group EBITDA up 34.6% from $7.1m to $9.6m
- UK contributed full six months compared with one month last year with sales of $29.5m, up from $4.9m and EBITDA of $3.3m, up from $0.4m
- Australian shower and tapware division sales up 25.8% to $15.8m and EBITDA up 29.8% to $1.7m
- Australian NEFA valving business EBITDA loss of $0.7m on sales of $5.1m (excludes New Zealand manufacturing profit)
- Methven New Zealand EBITDA down 8.6% to $6.1m and domestic sales down 7.9% to $20.1m
- Methven USA loss of $0.5m to reduce further as cost base starts to reflect the downscaled operation
- Interim dividend of 6.25 cps to be paid on 31 December 2008, up from 5.7 cps last year.

Methven Group has continued its momentum for growth into the six months to 30 September 2008 despite an extremely difficult trading climate, reporting growth in revenue, cash operating earnings and net profit reflecting a full six months' contribution from the UK business.

While the deterioration in world economies has been much more severe than anticipated, Chairman, Phil Lough, said Methven had achieved a satisfactory half year result and remained confident that it could weather the storm to be well positioned to accelerate growth as conditions improved.

"We are now seeing the true benefit of having an international spread of markets that has allowed us to cushion the effect of a slowing New Zealand economy with continued growth in Australia and a reasonable result in the UK, considering that market's weakness," he said.

"Methven has the advantage of a unique and appealing range of water and energy efficient showerware that provides the potential for market share growth to mitigate the adverse trading conditions. We also have a strong management team with the skills and experience in dealing with economic downturns and the commitment to innovation and design to drive consumer preference."

Group NPAT for the first half was up 29.4% from $3.8 million to $5.0 million (up 13.1% before a one-off UK tax credit of $626,000) compared to the same time last year. This was on the back of a 34.6% lift in EBITDA, up from $7.1 million to $9.6 million, and 65.9% growth in Group operating revenues, up from $43.2 million to $71.8 million.

The positive half year results reflect a full six months' contribution from the UK compared with one month's contribution last year and continued strong growth in the Australian shower and tapware market where the release of new high end proprietary Satinjet showerware and complementary tapware ranges has boosted sales and operating profit. The result also takes into account lower New Zealand sales, realisation of only part of the impact of cost savings in the USA where operations have been wound back and the impact of management's increased focus on cost reduction to adjust spending to current conditions.

Directors have declared a fully imputed interim dividend of 6.25 cps to be paid on 31 December 2008, up 0.55 cps on the previous year's interim.

Mr Lough said Methven has a solid balance sheet with very good debt financing arrangements, including a three-year debt facility in place for the period to August 2010 with fixed bank margins that are considerably more favourable than current rates on offer following the current global credit crisis. In addition, the majority of Methven's $35.0 million debt is denominated in pound sterling which has a more favourable base rate than the New Zealand base rate.

Outlook

CEO, Rick Fala said that despite the extremely testing conditions Methven was on track to achieve an improved full year result and maintain its momentum for growth.

"Management is focused on reducing costs and working capital and gaining greater operational efficiencies and savings from outsourcing to mitigate potential risks from any further deterioration in market conditions," he said.

"At the same time, we're committed to continued prudent investment in key new proprietary technologies, particularly related to water and energy efficiency and improving water quality with our Maia vitamin C de-chlorinator and enhancing the shower experience with home spa shower infusions."

Looking to the markets, Mr Fala said new products, including Satinjet Tahi and Kiri showerware, which have already won a raft of prestigious marketing and design awards, and complementary tapware, were expected to underpin continued growth and increased market share in the second half, especially in Australia.

Growth in UK market share was targeted from increased specification activity and proprietary product sales. Further sales opportunities were also emerging in Dubai for tapware and water and energy efficient showerware.

But domestic consumer spending was likely to retract with the second half not expected to show any significant lift resulting in a lower full year sales and operating profit result for the New Zealand business compared to last year.

In the USA, Mr Fala said there were no plans to commit large investment at this time with so much market turbulence, but Methven would maintain a downsized plumbing distribution and sales presence to continue the drive to break even in the second half.

The shower infusion range would be test marketed through a US home shopping television channel in the final quarter and high end beauty retailers in New Zealand early in the new financial year.

"The Board and management intend to exercise prudence, pragmatism and flexibility to ensure our targets can be met," Mr Fala said. "We remain cautiously optimistic that Methven is well equipped to maintain profit growth while positioning itself to take full advantage of an eventual improvement in the global economy."

For further company information go to: www.methven.biz

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Market Review

United Kingdom

- United Kingdom EBITDA of $3.3m and sales of $29.5m achieved in line with budget despite dire economic climate
- Proprietary products, including Satinjet, launched with small sales volumes to date, but room to grow market niche and benefit from next year's new building regulations. These are expected to mandate new shower water efficiency requirements of 8.5 litres per minute for which Satinjet is ideally positioned
- Tapware market share increased, based on Deva's superior delivery performance and competitive product offering for the specification market
- Dubai sales office established with first half tapware and accessories sales of GBP490,000 and platform in place to promote proprietary shower products.

Australia

SHOWER AND TAPWARE

- Australian shower and tapware division EBITDA up 29.8% to $1.7m on sales of $15.8m, up 25.8%
- Methven continues to grow strongly despite housing and consumer spend weakness
- Satinjet sales up 30%, contributing 23% of total sales, up from 21% year on year
- Newly released Tahi and Kiri shower, tapware and thermostatic ranges now carried by 250-store nationwide chain to provide further growth impetus
- Tapware sales up 37%, generating 18% of total sales, from 15% this time last year, with further growth opportunities from new three-hole range and new single lever designs.

NEFA VALVES

- Australian NEFA valving business EBITDA loss $0.7m on sales of $5.1m was higher than expectation as margins squeezed in intensely competitive market
- Product cost savings achieved from China sourcing with more significant savings to come, partially offset by reductions in New Zealand manufacturing contribution
- New product targeted for launch in second half to lift sales and improve margins.

New Zealand

- Methven New Zealand EBITDA down 8.6% to $6.1m on last year. This reflects the decline in the renovation and new build segments, the partial loss of manufacturing margin on NEFA valves being outsourced to China and additional Group resources to improve global branding and sourcing initiatives in China
- Domestic sales down 7.9% on last year to $20.1m despite a 15% fall in combined renovation and new build permits

- Methven is the leading shower and tap supplier with more than 50% of the market and therefore the economic downturn will impact our full year result, though the underlying strength in the renovation sector and support of our installer plumber base will provide some cushioning.

USA

- Methven USA loss of $0.5m only partly reflects the scaling back of staff and reduced marketing costs with expectation to reach close to breakeven in the second half.

Maia and Infusions

- Maia beauty shower US market development costs of $0.2m included in the result
- Market research and product trials support the expectation for strong consumer interest for Maia products and the revolutionary new Shower Infusion ranges which are under development. A trial launch into a US television home shopping channel is scheduled for the last quarter plus a retail store launch in New Zealand in May 2009.