

NZX Announcement

5 July 2007

Methven to Buy UK Tap and Showerware Distributor

Methven has entered a conditional agreement to buy one of the UK's largest independent and privately owned tap and showerware suppliers, Deva Tap Company Ltd (Deva), for an enterprise value of \$59 million in a deal which will see the New Zealand company more than triple its direct distribution reach.

The acquisition is to be funded through a combination of a \$15 million institutional placement, \$12.8 million rights issue, \$2.4 million in shares to key senior management of Deva and approximately \$30 million of long term debt, including existing Deva borrowings.

Trading of Methven shares on the New Zealand Stock Exchange has been suspended at Methven's request while the placement is undertaken by ABN AMRO Craigs. An institutional investor briefing is planned for 11:00 am NZST today, Thursday, 5 July. Dial in details are below. Methven anticipates the share placement will be completed by 5:00 pm, Friday, 6 July 2007, with normal NZSX trading in Methven shares to recommence at 10:00 am on Monday, 9 July. Methven reserves the right to close the placement and recommence trading earlier.

The acquisition and associated financing is conditional on shareholder approval which is scheduled to be voted on at Methven's Annual General Meeting on 26 July 2007. If approved, rights trading will open on 30 July through to 24 August. The transaction is expected to be completed by 31 August 2007.

Methven, New Zealand's leading designer, manufacturer and supplier of tap and showerware, including the proprietary water saving Satinjet shower ranges, describes the purchase of Deva as highly complementary to its existing business.

Deva, headquartered near Manchester, has 6% of the UK brassware market (which includes taps and showerware). It has established trading relationships with most of the UK's major plumbing and building merchants, and DIY groups.

The acquisition will see Methven Group triple its direct distribution for its unique range of showering products from a total Australasian population of approximately 25 million to a combined Australasian/UK population of around 85 million (excluding Methven's start-up operations in the USA) and offer the future potential to widen Methven's existing access to markets in continental Europe.

"The acquisition will enable us to further leverage our strategic capabilities in innovative design and branding to achieve international scale and increase shareholder value," Methven Chairman, Richard Cutfield said.

The Group's post-acquisition revenue is expected to increase by an estimated 75% to almost \$124 million, with EBITDA also increasing by an estimated 65% to more than \$22 million, he said. Earnings per Share are also expected to rise by around 19% on Methven's 31 March 2007 level.

Like Methven, which reported another solid full year result for 2006-07, Deva too has a sound track record of profitability.

"Deva is achieving good growth in the competitive UK brassware market, based on a quality, cost competitive offering and responsive customer service under a capable and committed management team which will remain with the business," Mr Cutfield said.

Managing Director, Rick Fala, said Methven's proprietary products, including Satinjet, and its branding and design capabilities would add differentiation and value to the current Deva offering and market proposition in the UK. Selected Deva products would extend Methven's Australasian product offering.

"In addition, we expect the acquisition to enable us over time to realise cost savings in aggregating procurement, engineering, quality assurance and product sourcing," he said. "It will provide us with added scale to leverage our higher margin, proprietary products and product development capabilities across a larger market and portfolio of trading relationships."

Deva Managing Director, Robert Pryde, said the team was excited by the new opportunities.

"The executive team is taking shares in Methven and we look forward to continuing the growth of the business in partnership with Methven."

Methven has demonstrated that it can successfully integrate and deliver value from an acquired offshore business. Methven's Australian business was created through the acquisition and successful integration of an established showerware distributor, Flexispray. It has been further developed by adding Methven's proprietary and more differentiated products and brands and establishing its own dedicated teams to support sales across a full range of products.

"This business model is now delivering significant returns on the investment with Australian tap and showerware sales continuing to grow strongly and profitably, up 54% for the year ended 31 March 2007," Mr Cutfield said.

Methven Institutional Investor Briefing Details

Time: 11:00 am, today, Thursday 5 July 2007

Venue: ABN AMRO Craigs
Level 32, Vero Centre
48 Shortland Street
Auckland

NZ Dial in number: 083033
Australian Dial in number: 1800 830 341
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For information on the offer please contact:

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Investment Snapshot

- Methven is acquiring Deva, one of the UK's largest independent and privately owned suppliers of tap and showerware with a 6% share of the brassware market
- Methven's direct distribution reach more than triples. Deva has trading relationships with most of the UK's major plumbing and building merchants and DIY groups
- The purchase price is \$51.7m (£18.6m) plus the assumption of \$7.2m (£2.6m) of debt for an enterprise value of \$58.9m (£21.2m)
- The purchase price includes goodwill of \$40.9m (£14.7m) excluding transaction costs
- The acquisition will be funded through a combination of:
 - An institutional placement of \$15m
 - A rights issue of \$12.8m
 - Shares issued to certain senior management of Deva of \$2.4m
 - Long-term debt of around \$30m, including existing Deva borrowings.
- Acquisition price of 6.8x normalised EBITA; Methven is trading at 10.6x EBITA
- Pro forma earnings per share increase 19% (excluding synergies)
- The acquisition and associated financing is conditional on shareholder approval, scheduled to be voted on at the AGM on 26 July 2007
- The Investment Statement and Prospectus for the proposed rights issue is expected to be issued on 30 July

Methven's Business

- NZ's largest designer, manufacturer and supplier of tap and showerware
- NZ market share of around 40%; Australian showerware market share of around 30%
- Greenfield presence in the US
- Distribution primarily through plumbing and building merchants (including DIY chains)
- Consistent growth record: Revenue up 21%; EBITDA up 8.5%; NPAT up 7.9% for F/Y 07 ahead of market expectations
- Building core design, branding, supply and marketing capabilities to drive growth internationally
- Central to Methven's business model is its design-led approach to creating proprietary shower and tapware technologies and products which offer genuine points of difference like the water saving Satinjet showerware ranges

Deva Tap Company Limited

- One of the UK's largest independent and privately owned tap and showerware suppliers with a 6% share of the brassware market
- Grown largely through a succession of acquisitions, and more recently, through organic growth with a track record of profit improvement
- Established trading relationships with most of the UK's major plumbing and building merchants and DIY groups
- Sales are mostly in the UK, with a small percentage in the Republic of Ireland
- Broad offering with more than 70 different tap and shower ranges, covering low to middle market segments
- Well regarded by its customers for its service standards
- More than 70% of Deva's products are manufactured in China where Deva management have been sourcing tapware for the past 10 years
- Experienced and committed management team who will stay with the business and will reinvest a substantial portion of their \$2.4m Deva option entitlements into Methven shares and will receive Methven share options (3 options for every 5 Methven shares) on terms consistent with Methven's IPO executive option scheme (i.e. exercisable after 2 years, the exercise price increasing annually by 7.5% from the corresponding share purchase price).