

Methven Forecasts Lower Full Year Profit, Reduced Debt and Positive Cash Flows

F/Y Forecast 2009-10 Key Points

- Net Profit to go down by 15%- 20%
- Net Debt to reduce by 20%
- Dividends expected to be maintained at current levels
- Working Capital to reduce
- Significant decline in UK margins and profitability in worsening recession
- NZ trading well but anticipated reduction in sales and profitability
- Strong improvement in Australian sales and profitability

Leading bathroomware designer and marketer, Methven, expects Net Profit to be down by 15-20 per cent for 2009-10 as trading conditions in the UK worsen but is also forecasting a 20 per cent reduction in Net Debt for the year and continued strong cash flows from healthy Australasian sales and working capital reductions. Dividends are expected to be maintained at current levels.

In line with earlier indications, the company is forecasting a very trying first half year with underlying profits expected to be down between 20-25 per cent on the same period last year. (Excluding the one off 2008-09 UK tax benefit of \$636,000 NPAT would be down 30-35 percent). On the positive side, half year Net Debt was expected to reduce by 30 per cent.

Chairman Phil Lough told shareholders at the company's Annual Meeting in Auckland today (28 July) that 2009-10 would be hard going although Methven's core renovation and replacement market appeared less depressed than other segments.

"Tough times can be times of opportunity. Methven is well placed to weather the recession and we are looking for opportunities," Mr Lough said. "Yes we are being practical and careful, implementing very strict cost containment measures, seeking operating efficiencies across the

company and freezing salaries and Director fees, but we are not pruning back on growth activities in areas where we believe we can lift long term profitability and market presence.”

Group CEO Rick Fala said Methven had robust strategies to optimise returns and mitigate risk as well as an ability to act quickly to adapt to changing circumstances.

“Our plan is to expand our reach into new markets, niches and channels including beauty and wellbeing and the hotel room retrofit segment. We will also offer wider choices of shower, tapware and valving at different price positions,” he said. “We will continue to invest in strategic developments like the unique HomeSpa Shower Infusion range we are market testing in New Zealand that will see Methven lead the world in creating new luxurious showering experiences.”

Mr Fala said that while the 2009-10 outlook for the UK was for a deep recession which would result in a significant decline in margins and profitability in an intensely competitive market, there were opportunities for Methven.

“We are aiming to trim fixed overheads and global supply costs further, increase sales of our Satinjet showerware by targeting the hotel market and put Deva tapware into Australia and New Zealand to fill a gap in the low end of the market. We are also continuing our expansion into the Middle East,” he said.

“New Zealand is trading well in these conditions and the outlook for 2009-10 is for a reduction in sales and profitability for the full year.”

Australian sales for water and energy saving Satinjet showerware ranges and newly released complementary tapware designs were showing resilience, he said.

“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.”

Mr Fala said Methven had pulled out of the fledgling USA market to focus on its core markets but was providing market support from New Zealand and seeking distributorships. Losses were expected to reduce from last year’s \$900,000 to closer to break even at the end of the current financial year.

“No one expects 2009-10 to be easy with extremely challenging trading conditions in all markets but we are fit to compete. We have the strategies to diversify risk across geographic markets and products, an appetite for growth and the competencies to control costs, reduce debt and invest in new developments that will provide long term benefits for shareholders.”

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

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