



METHVEN

METHVEN LIMITED

NOTICE OF MEETING AND SCHEME BOOKLET

For a scheme of arrangement between Methven Limited and its shareholders in relation to the proposed acquisition of all of the fully paid ordinary shares of Methven Limited by GWAIL (NZ) Limited, an indirectly wholly-owned subsidiary of GWA Group Limited.

VOTE IN FAVOUR

Your Independent Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.

MEETING DETAILS

The Special Meeting will be held at 10.00am on Tuesday, 12 March 2019 at Simpson Grierson, Level 28, 88 Shortland Street, Auckland.

IMPORTANT

This is an important document and requires your immediate attention. You should carefully read it in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt about what you should do, you should seek advice from your broker or your financial, taxation or legal adviser immediately. If you have sold all your shares in Methven Limited, please ignore this Scheme Booklet and immediately hand it to the purchaser or the agent (e.g. the broker) through whom the sale was made, to be passed to the purchaser. An Independent Adviser's Report on the merits of the Scheme accompanies this Scheme Booklet and should be read carefully in conjunction with this Scheme Booklet.



CONTENTS

IMPORTANT INFORMATION	4
PART A – KEY INFORMATION ABOUT THE VOTE	6
1. CHAIR’S LETTER	6
2. KEY ACTIONS REQUIRED	8
3. KEY DATES	8
4. IMPORTANT QUESTIONS	10
5. NOTICE OF MEETING	15
6. INFORMATION ABOUT THE SCHEME	17
PART B – DETAILED INFORMATION ABOUT THE SCHEME (INCLUDING STATUTORY DISCLOSURES)	28
7. GWA INFORMATION	28
8. METHVEN INFORMATION	31
9. GLOSSARY	39
ANNEXURE A: INDEPENDENT ADVISER’S REPORT	44
ANNEXURE B: SCHEME PLAN	97
ANNEXURE C: DEED POLL	105
DIRECTORY	113

IMPORTANT INFORMATION

PURPOSES OF THIS SCHEME BOOKLET

The purposes of this Scheme Booklet are to:

- provide you with information about the proposed acquisition of Methven by GWA NZ, an indirectly wholly-owned subsidiary of GWA Group;
- provide you with the material terms of the Scheme and explain their effect;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- provide you with information that could reasonably be expected to be material to your decision whether to vote in favour of, or against, the Scheme; and
- include the information required by the Takeovers Panel or the High Court in relation to the Scheme.

This Scheme Booklet is not a product disclosure statement.

YOUR DECISION

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. You must make your own decisions and seek your own advice in this regard.

The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as constituting, financial product advice.

If you are in any doubt as to what you should do, you should seek advice from your broker or your financial, taxation or legal adviser before making any decision regarding the Scheme.

NOT AN OFFER

This Scheme Booklet does not constitute an offer to Shareholders (or any other person), or a solicitation of an offer from Shareholders (or any other person), in any jurisdiction.

LAWS OF NEW ZEALAND

This Scheme Booklet has been prepared in accordance with New Zealand law. Accordingly, the information contained in this Scheme Booklet may not be the same as that which would have been disclosed in this Scheme Booklet if it had been prepared in accordance with the laws and regulations of another jurisdiction.

FORWARD LOOKING STATEMENTS

This Scheme Booklet contains certain forward looking statements. You should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Methven to be materially different from the future conduct, market conditions, results, performance or achievements expressed or implied by such statements or that could cause future conduct to be materially different from historical conduct. Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

Forward looking statements generally may be identified by the use of forward looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should', or other similar words.

Neither Methven nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned against relying on any such forward looking statements.

PRIVACY AND PERSONAL INFORMATION

Methven and GWA may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Shareholders and the name of persons appointed by those persons to act as a proxy or corporate representative at the Special Meeting. The primary purpose of the collection of personal information is to assist Methven and GWA to conduct the Special Meeting and implement the Scheme.

Personal information of the type described above may be disclosed to Link, print and mail service providers, proxy solicitation firms, Related Companies of Methven and GWA and Methven's and GWA's service providers and advisers. Shareholders have certain rights to access personal information that has been collected. Shareholders should contact Link in the first instance, if you wish to access your personal information. Shareholders who appoint a named person to act as their proxy or corporate representative should make sure that person is aware of these matters.

NO INTERNET SITE FORMS PART OF THIS SCHEME BOOKLET

Any references in this Scheme Booklet to any website are for informational purposes only. No information contained on any website forms part of this Scheme Booklet.

TIMETABLE AND DATES

All references to times in this Scheme Booklet are references to New Zealand time, unless otherwise stated. Any obligation to do an act by a specified time in New Zealand time must be done in any other jurisdiction by the specified New Zealand time.

DIAGRAMS, CHARTS, MAPS, GRAPHS AND TABLES

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be to scale.

EFFECT OF ROUNDING

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, actual calculations may differ from amounts set out in this Scheme Booklet.

RESPONSIBILITY FOR INFORMATION

Other than as set out below, this Scheme Booklet has been prepared by, and is the responsibility of, Methven:

- the GWA Information (section 7 of this Scheme Booklet) has been prepared by, and is the responsibility of GWA. Methven and its officers and employees do not assume any responsibility for the accuracy or completeness of the GWA Information. GWA and their respective officers and employees do not assume any responsibility for the accuracy or completeness of any information in the Scheme Booklet other than the GWA Information; and
- the Independent Adviser's Report attached as Annexure A has been prepared by, and is the responsibility of, the Independent Adviser. Methven and its officers and employees do not assume any responsibility for the accuracy or completeness of the Independent Adviser's Report.

NOTICE OF THE FINAL COURT HEARING

If you wish to oppose the Scheme at the Final Court Hearing, which is expected to be at 10.00am on Wednesday, 27 March 2019 at the High Court, Parliament Street, Auckland, you must file a notice of appearance or a notice of opposition together with supporting documents on which you wish to rely in the manner set out in section 6.12 by 5.00pm Friday 15 March 2019.

ROLE OF TAKEOVERS PANEL AND HIGH COURT

The fact that the Takeovers Panel has provided a letter of intention indicating that it does not intend to object to the Scheme (or subsequently issues a no-objection statement in respect of the Scheme), or that the High Court has ordered that a meeting be convened, does not mean that the Takeovers Panel or the High Court:

- has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote (on this matter Shareholders must reach their own decision); or
- has prepared, or is responsible for the content of, the Scheme documents or any other material.

DEFINED TERMS

Capitalised terms set out in this Scheme Booklet have the meanings given to them in the Glossary in section 9.

DATE OF THIS SCHEME BOOKLET

This Scheme Booklet is dated 8 February 2019.

PART A – KEY INFORMATION ABOUT THE VOTE

1. CHAIR'S LETTER

Dear Shareholder

On behalf of the Directors of Methven, I am pleased to provide you with this Scheme Booklet, which contains important information about the proposed acquisition of your Methven Shares by GWA NZ.

The proposed acquisition is to be completed via a Scheme of Arrangement, approved by Shareholders. If the proposed Scheme is approved and all Conditions (including the OIO Condition) are satisfied, Shareholders will receive the Scheme Consideration which is a cash payment of \$1.60 per share. In addition, Methven negotiated the ability for it to pay to Shareholders the 1H19 Dividend of up to \$0.05 per share (the amount to be determined by the Methven Board) out of half year FY19 profits despite the Scheme Implementation Agreement including a customary restriction on the payment of dividends in general.¹

The Scheme Consideration will be paid to Shareholders on the Scheme Implementation Date (which is expected to be in April 2019) and the 1H19 Dividend is expected to be paid after the Scheme Resolution has been passed (but on or prior to the Scheme Implementation Date). This Scheme Booklet has been prepared to help you assess the merits of the Scheme before you vote.

The Independent Directors of Methven unanimously recommend that you vote in favour of the Scheme.

In the absence of a Superior Proposal arising, the Independent Directors of Methven recommend that you vote in favour of the Scheme. The Independent Directors intend to vote in favour with regard to all the Methven Shares that they own or control, subject to the same condition.

The Independent Directors have carefully considered the advantages and disadvantages of the Scheme. In recommending the Scheme they have taken into account the following:

- the Scheme Consideration is at the top of the Independent Adviser's valuation range of \$1.41 to \$1.60 per share. The 1H19 Dividend is payable in addition to the Scheme Consideration;
- Shareholders are able to realise value for their Methven Shares at a material premium to the market price prior to the proposal. The Scheme Consideration represents a premium of 45% to the 12 month volume weighted average price pre-announcement;²
- the Scheme provides an attractive opportunity for Shareholders to realise the future value of their Methven Shares in cash now;
- Methven Shares have traded below the Scheme Consideration over the past seven years;
- GWA Group has represented in the Scheme Implementation Agreement that it will continue to support the design, innovation and manufacturing base for Methven's taps and showers business in New Zealand, keeping Methven's taps and showers business in Auckland an innovation and research & development centre for GWA Group's overall business, and retaining jobs related to those functions in New Zealand;³
- Methven's largest shareholder (Lindsay Investment Trust, which holds 19.89%) has agreed to vote in favour of the Scheme, in the absence of a Superior Proposal;
- as at the date of this Scheme Booklet, no Superior Proposal has emerged; and
- you will not pay any brokerage on the transfer of your Methven Shares to GWA NZ under the Scheme.

¹ Methven may also pay a 2H19 Dividend of up to \$0.05 per share payable out of the profits of the second half of FY19, in the event that the OIO Condition is not satisfied on or before 30 June 2019.

² This is calculated with Methven's volume weighted average share price for the 12 months ended 13 December 2018 (being the last trading day prior to the announcement of the Scheme).

³ Although these representations are made contractually in the Scheme Implementation Agreement, they are broad in nature (in particular they are not limited by time or otherwise qualified). GWA Group has confirmed its intention to act in accordance with the representations but circumstances could arise in the future that may cause GWA Group to act in an inconsistent manner. Shareholders should therefore exercise caution in relying on the representations.

There are also reasons you may decide not to vote in favour of the Scheme. These are set out in section 6.4.

Your action is required.

Please read this Scheme Booklet carefully and in its entirety, as it contains important information that you should consider before you vote. It includes details of the Special Meeting to approve the Scheme, the recommendation of your Independent Directors, considerations in relation to your vote and the Independent Adviser's Report. You may also wish to seek independent legal, financial, taxation or other professional advice.

Your vote is very important, regardless of how many Methven Shares you own. To approve the Scheme, 75% of the votes cast in each interest class, representing in aggregate, more than 50% of the total votes able to be cast (whether or not actually cast) must be voted in favour of the Scheme Resolution, so I strongly encourage you to exercise your right to vote on this important transaction.

If you are unable to attend the meeting in person, please exercise your right to vote by submitting a postal vote or appointing a proxy to attend and vote on your behalf (both of which can be done online at <https://investorcentre.linkmarketservices.co.nz/voting/MVN>). A personalised Voting/Proxy Form accompanies this Scheme Booklet.

On behalf of the Methven Board, I would like to reiterate our support for this offer. We encourage you to vote in favour of the Scheme.

I look forward to your participation at the Special Meeting at 10.00am on Tuesday, 12 March 2019.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Alison Barrass', with a stylized, flowing script.

Alison Barrass
Independent Chair
8 February 2019

2. KEY ACTIONS REQUIRED

STEP 1: READ THIS SCHEME BOOKLET AND SEEK ADVICE IF YOU HAVE ANY QUESTIONS

Please read this document carefully and in its entirety as it will assist you in making an informed decision on how to vote.

If you have any questions in relation to this document or the Scheme, you should call the Shareholder Information Line. This is open between 8.30am and 5.00pm, Monday to Friday.

If you are in any doubt as to what you should do, please seek advice from your broker or your financial, taxation or legal adviser.

STEP 2: VOTE ON THE SCHEME

It is very important that you vote.

Voting is how you have your say in determining the future of your investment in Methven. For the Scheme to proceed, it is necessary that BOTH of the two voting thresholds are met:

- (a) 75% or more of the votes cast by each interest class⁴ must be voted in favour of the Scheme Resolution; and
- (b) more than 50% of the votes able to be cast (whether or not actually voted) must be voted in favour of the Scheme Resolution.

The Special Meeting will be held at 10.00am (New Zealand time) on Tuesday, 12 March 2019 at the offices of Simpson Grierson, Level 28, 88 Shortland Street, Auckland.

If you are a Shareholder on the Voting Eligibility Date (expected to be 5.00pm on Friday, 8 March 2019), you are entitled to vote on the Scheme.

Shareholders can vote in person, by submitting a postal vote (which can be done online), by proxy, or by corporate representative. See section 5 of this Scheme Booklet (Notice of Meeting) for information on how to vote, and how to appoint a proxy.

Submit a postal vote or appoint a proxy if you cannot attend the Special Meeting in person.

Shareholders are invited to attend the Special Meeting and to ask questions of the Methven Board. In this regard, Shareholders may submit their questions for the Chair in writing in the manner set out in section 5.

3. KEY DATES

INDICATIVE DATE AND TIME	EVENT
8 February 2019	Scheme Booklet – date of this Scheme Booklet
5.00pm, 8 March 2019	Voting Eligibility Date – for determining eligibility to vote at the Special Meeting
10.00am, 10 March 2019	Closing time and date for Voting/Proxy Forms – Voting/Proxy Forms must be submitted by this time. See section 5 for more information
10.00am, 12 March 2019	Special Meeting – to be held at the offices of Simpson Grierson, Level 28, 88 Shortland Street, Auckland

⁴ At the date of this Scheme Booklet, it is expected that all Shareholders will comprise one interest class. See section 6.7 for more information about interest classes.

IF THE SCHEME IS APPROVED BY SHAREHOLDERS

10.00am, 27 March 2019	Final Court Hearing – to approve the Scheme
5.00pm, 1 April 2019	Last day of trading in Methven Shares – Methven Shares will be suspended from trading on the NZX Main Board from close of trading on this date
5.00pm, 3 April 2019	Scheme Record Date – for determining entitlements to the Scheme Consideration
10 April 2019	Scheme Implementation Date – payment of the Scheme Consideration to Scheme Shareholders
14 June 2019	End Date – if the Scheme has not been implemented by this date it will not proceed, unless either Methven or GWA Group considers that the OIO Condition is capable of satisfaction by 14 September 2019, in which case 14 September 2019 will become the revised End Date. Methven and GWA Group may also agree to an alternative End Date.

Apart from the End Date, all dates in the table above are indicative only and, among other things, are subject to the satisfaction of the OIO Condition and to obtaining all necessary approvals from the High Court. If the OIO Condition has not been satisfied by the Final Orders Date, unless agreed otherwise by GWA Group and Methven, the Scheme Record Date will be five Business Days after the date on which the OIO Condition is satisfied (with the Scheme Implementation Date then being ten Business Days after the satisfaction of the OIO Condition), delaying implementation of the Scheme and payment of the Scheme Consideration to Shareholders.

Any changes to the above timetable will be announced via the NZX Markets Announcements Platform and notified on Methven's website at <https://www.methven.com/nz/corporate/investor-information>.

4. IMPORTANT QUESTIONS

QUESTION	ANSWER	MORE INFORMATION
THE SCHEME		
What am I being asked to consider?	<p>To approve the sale of your Methven Shares to GWA NZ for \$1.60 cash per share with effect from the Scheme Implementation Date.</p> <p>It is proposed that the sale of your Methven Shares will be implemented by way of the Scheme. The Scheme is a scheme of arrangement between Methven and its Shareholders as at the Scheme Record Date. If approved by Shareholders and the New Zealand High Court, and once all other Conditions (including the OIO Condition) have been satisfied or waived (to the extent capable of waiver), the Scheme will implement the acquisition of Methven by GWA NZ.</p>	<p>See section 6 for more detail about the Scheme generally.</p> <p>See Annexure B for a copy of the Scheme Plan.</p>
Are any dividends payable?	<p>In addition to the Scheme Consideration, Methven negotiated the ability to pay to Shareholders the 1H19 Dividend and (if applicable) the 2H19 Dividend, despite the Scheme Implementation Agreement including a customary restriction on the payment of dividends in general.</p> <p>If you are a Shareholder on the record date for the 1H19 Dividend, you will be entitled to receive a dividend of up to \$0.05 per Methven Share (the amount to be determined by the Methven Board) from half year FY19 profits, without reduction of the Scheme Consideration.</p> <p>If the OIO Condition is not satisfied on or before 30 June 2019, Methven may also pay Shareholders a 2H19 Dividend of up to \$0.05 per Methven Share payable out of the profits of the second half of FY19, without reduction of the Scheme Consideration.</p>	<p>See section 6.9 for background information about the 1H19 Dividend and 2H19 Dividend.</p>
What are the key considerations in deciding how to vote?	<p>In the absence of a Superior Proposal, the Independent Directors unanimously recommend that Shareholders vote in favour of the Scheme and all Directors intend to vote all of the Methven Shares that they hold or control in favour of the Scheme. The key reasons to vote in favour of the Scheme are set out in section 6.3.</p> <p>Reasons why you may not choose to vote in favour of the Scheme are set out in section 6.4.</p>	<p>See section 6 for more detail on the key considerations informing your vote.</p> <p>See Annexure A for a copy of the Independent Adviser's Report.</p>

QUESTION	ANSWER	MORE INFORMATION
What are the key Conditions to which the Scheme is subject?	<p>There are a number of Conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become effective, including that:</p> <ul style="list-style-type: none"> (a) the Scheme Resolution is approved by the requisite majorities of Shareholders at the Special Meeting; (b) the Scheme is approved by the High Court at the Final Court Hearing; and (c) the Scheme is consented to by the Overseas Investment Office. <p>If any of the Conditions are not satisfied or waived (where capable of waiver) by the End Date, then the Scheme will not proceed.</p> <p>The High Court also has the power to order that the Scheme is subject to other terms and conditions as it sees fit (in addition to the Conditions).</p>	See section 6.2 for information on the Conditions to the Scheme.
What if there is a Competing Proposal?	<p>If a Competing Proposal emerges before the Special Meeting, your Independent Directors will carefully consider it and may change their recommendation to vote in favour of the Scheme in circumstances where they believe the Competing Proposal is a Superior Proposal.</p> <p>GWA Group has a right to match any Competing Proposal. Details of how this matching right operates are set out in section 6.2.</p> <p>If a Director changes his or her recommendation to vote in favour of the Scheme, in most cases Methven would be required to pay the Bidder Reimbursement Fee. Details of the reimbursement fee regime are set out in section 6.2.</p> <p>As a result of the exclusivity regime, there are limited circumstances in which Methven can engage with a third party in respect of a Competing Proposal and a Bidder Reimbursement Fee may become payable.</p> <p>If there is a Superior Proposal, GWA Group may:</p> <ul style="list-style-type: none"> (a) match the Superior Proposal; (b) terminate the Scheme Implementation Agreement (in which case a the Bidder Reimbursement Fee will be payable); or (c) notify Methven that Methven cannot terminate the Scheme Implementation Agreement and must proceed with the Scheme (in which case the Bidder Reimbursement Fee will not be payable). <p>If GWA does none of these things, Methven may terminate the Scheme Implementation Agreement and the Bidder Reimbursement Fee will be payable.</p> <p>If there is a Superior Proposal that GWA Group does not match, Lindsay Investment Trust may terminate its voting commitment agreement with GWA Group meaning that it will no longer be obliged to vote in favour of the Scheme.</p>	<p>See section 6.2 (Exclusivity) for information on Competing Proposals and Superior Proposals.</p> <p>The detailed definitions of Competing Proposal and Superior Proposal are set out in the Glossary at section 9.</p>

QUESTION	ANSWER	MORE INFORMATION
Who is GWA Group?	GWA Group is a leading Australian designer, importer and distributor of iconic brands and products, servicing and enhancing residential and commercial bathrooms and kitchens across Australia and New Zealand. The product range is distributed under market-leading brands including Caroma, Dorf, and Clark. GWA Group remains committed to growing value for its shareholders through its strategic focus on superior solutions for water within the Bathrooms & Kitchens business which has strong market positions, market-leading brands and significant growth opportunities. GWA Group is listed on the Australian Stock Exchange (ASX) and has been operational in the New Zealand market for more than 40 years.	See section 7 for details about GWA.

WHAT IS THE PROCESS FOR THE SPECIAL MEETING?

When and where will the Special Meeting be held?	<p>The Special Meeting will be held on Tuesday, 12 March 2019 commencing at 10.00am.</p> <p>The Special Meeting will be held at the offices of Simpson Grierson, Level 28, 88 Shortland Street, Auckland.</p>	See sections 2 and 5 for details of the Special Meeting.
What are the voting requirements to approve the Scheme?	<p>For the Scheme to proceed, the votes cast in favour of the Scheme Resolution must represent:</p> <ul style="list-style-type: none"> (a) 75% or more of the votes cast in each interest class⁵; and (b) more than 50% of the total number of votes able to be cast (whether or not actually voted). <p>If you are registered as a Shareholder at 5.00pm on Friday, 8 March 2019 (the Voting Eligibility Date), then you are entitled to attend and vote at the Special Meeting.</p> <p>If you are entitled to attend and vote at the Special Meeting but are unable to attend personally, you may submit a postal vote (which can be done online) or appoint a proxy to attend and vote on your behalf.</p>	See sections 2 and 5 for details on the Scheme approval requirements and your entitlement to vote.
What do I do if I do not support the Scheme?	<p>If you do not support the Scheme:</p> <ul style="list-style-type: none"> (a) you should vote against the Scheme Resolution. You may do this by voting against the Scheme Resolution in person at the Special Meeting, by submitting a postal vote against the Scheme Resolution or by appointing a proxy and directing that they vote against the Scheme Resolution; and/or (b) if Shareholders pass the Scheme Resolution at the Special Meeting, you may wish to oppose the approval of the Scheme, by filing and serving a notice of opposition and any other supporting documents by 5.00pm on Friday, 15 March 2019 and attending the Final Court Hearing. <p>You may also abstain or not cast a vote on the Scheme.</p> <p>If you do not want to participate in the Scheme, you are free to sell your Methven Shares at any time before trading in Methven Shares is suspended in anticipation of the implementation of the Scheme (expected to be the date which is two Business Days before the Scheme Record Date). The market price at that time may vary from the Scheme Consideration.</p>	See section 6.12 for details on Shareholder objection rights.

⁵ At the date of this Scheme Booklet it is expected that all Shareholders will comprise one interest class. See section 6.7 for more information about interest classes.

QUESTION	ANSWER	MORE INFORMATION
WHAT WILL HAPPEN IF THE SCHEME PROCEEDS?		
What will I receive if the Scheme is approved and implemented and when will I be paid?	<p>You will receive a cash payment of \$1.60 for every Methven Share held by you as at the Scheme Record Date (expected to be 3 April 2019, subject to the timing of satisfying the OIO Condition).</p> <p>In addition, if you are a Shareholder on the record date for the 1H19 Dividend, you will be entitled to receive a dividend of up to \$0.05 per Methven Share (the amount to be determined by the Methven Board) from half year FY19 profits, payable on a date after the passing of the Scheme Resolution but on or prior to the Scheme Implementation Date.</p> <p>If the OIO Condition is not satisfied on or before 30 June 2019, Methven may also pay Shareholders a 2H19 Dividend of up to \$0.05 per Methven Share (the amount to be determined by the Methven Board) payable out of the profits of the second half of FY19. This will also be payable on or prior to the Scheme Implementation Date (which will not occur until after the OIO Condition has been satisfied).</p> <p>If this timing changes, Methven will announce the updated timing through the NZX Markets Announcement Platform.</p>	<p>See sections 6.2 and 6.10 for more detail on the Scheme Consideration.</p> <p>See section 3 for the indicative timing of the Scheme Record Date and the Scheme Implementation Date and the impact the OIO Condition may have on those dates.</p>
How will I be paid?	<p>Payments will generally be made by electronic transfer into the bank account you have nominated to receive dividends.</p> <p>If you have not nominated a bank account, payment will be made by cheque. Your cheque will be mailed to the mailing address you have registered with Link.</p>	See section 6.10 for more detail on the Scheme Consideration and payment information.
Can I sell my Methven Shares now?	<p>Yes.</p> <p>You can sell your Methven Shares on market at the prevailing market price (which may be more or less than the Scheme Consideration) at any time before trading in Methven Shares is suspended in anticipation of the implementation of the Scheme (expected to be the date which is two Business Days before the Scheme Record Date).</p>	Not applicable.
What are the tax implications of the Scheme?	Tax implications will depend on your specific circumstances. You should seek your own professional tax advice in relation to your personal tax position.	Not applicable.

QUESTION	ANSWER	MORE INFORMATION
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WHAT HAPPENS IF THE SCHEME DOES NOT PROCEED?

What happens if the Scheme does not proceed?	<p>If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration. Instead, Shareholders will retain their Methven Shares and Methven will continue to operate as a stand-alone company listed on the NZX Main Board. Shareholders will continue to be subject to the benefits and risks associated with Methven's business.</p> <p>Depending on the reasons why the Scheme is not implemented, the Bidder Reimbursement Fee may be payable by Methven to GWA Group or the Target Reimbursement Fee may be payable by GWA Group to Methven. In some circumstances no reimbursement fee will be payable by either GWA Group or Methven (including where Shareholders do not approve the Scheme, in the absence of a Superior Proposal).</p>	<p>See section 6.5(c) for details on what happens if the Scheme does not proceed.</p> <p>See section 6.2 for further information on the Bidder Reimbursement Fee.</p> <p>See section 6.2 for further information on the Target Reimbursement Fee.</p>
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FURTHER INFORMATION

Where can I get further information?	For further information, you can call the Shareholder Information Line on +64 9 375 5998 between 8.30am and 5.00pm, Monday to Friday.	Not applicable.
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5. NOTICE OF MEETING

Notice is hereby given that the Special Meeting of Shareholders of Methven Limited will be held at 10.00am on Tuesday, 12 March 2019 at Simpson Grierson, Level 28, 88 Shortland Street, Auckland.

AGENDA

Scheme Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution:

That the Scheme (the terms of which are described in the Scheme Booklet) be approved.

Note the Scheme Resolution will be put as a single resolution for the purposes of confirming the approvals of each interest class and a simple majority of the votes of all Shareholders.

Voting will be by a poll and Link and Methven's auditor will confirm whether or not each of the relevant voting thresholds have been met in respect of the Scheme Resolution (see the Explanatory Notes below).

By order of the Board of Directors



David Banfield
Group Chief Executive Officer
Methven Limited
8 February 2019

EXPLANATORY NOTES: SCHEME RESOLUTION

- A. The Scheme Booklet (which includes this Notice of Meeting) provides information in relation to the Scheme Resolution and the Scheme, how the Scheme will be implemented and the reasons for proposing the Scheme. In particular, section 2 (Key Actions Required) contains details about the Special Meeting and how to vote or appoint a proxy. A Voting/Proxy Form accompanies this Scheme Booklet.
- B. The voting thresholds under the Companies Act for approval of the Scheme are:
 - 1. a majority of 75% of the votes of the Shareholders in each interest class entitled to vote and voting on the Scheme Resolution; and
 - 2. a simple majority of the votes of all Shareholders entitled to vote on the Scheme Resolution. This threshold applies on the total number of votes on Methven Shares rather than by each interest class separately (whether or not actually voted).
- C. Both of the voting thresholds set out in Explanatory Note B above must be met for the Scheme Resolution to be approved.
- D. As at the date of this Scheme Booklet, it is expected that all Shareholders will comprise one interest class. See section 6.7 of the Scheme Booklet for more information about what an interest class is, including the impact of GWA or its associates acquiring Methven Shares before the Voting Eligibility Date. Further, as at the date of this Scheme Booklet, it is not expected that any Shareholders will be restricted from voting on the Scheme Resolution pursuant to the NZX Main Board Listing Rules.
- E. **Whether or not you are in favour of the Scheme, it is very important that you cast your vote.**
- F. The persons who will be entitled to vote at the Special Meeting are those persons (or their proxies or representatives) whose name is recorded in the Methven share register at the Voting Eligibility Date.
- G. The Lindsay Investment Trust (Methven's largest shareholder) has entered into a voting commitment agreement with GWA Group pursuant to which it agreed to vote in favour of the Scheme at the Special Meeting, subject to certain termination rights. The Directors and the Senior Managers have confirmed to Methven that they intend to vote in favour of the Scheme. The percentage of Methven Shares held by these groups are as follows:
 - 1. Lindsay Investment Trust: 19.89%.
 - 2. Methven's Directors: 2.12%.⁶
 - 3. Senior Managers: 1.33%.⁷

⁶ Please see section 8.5 for specific Director holdings.

⁷ Please see section 8.5 for specific Senior Manager holdings.

IMPORTANT INFORMATION

Voting Eligibility

Registered Shareholders at 5.00pm on Friday, 8 March 2019 will be the only persons entitled to vote at the meeting and only the shares registered in those shareholders' names at that time will carry a right to vote at the Special Meeting. This does not limit the ability of eligible shareholders to appoint a proxy (or, if they are a company, a corporate representative). Shareholders who are eligible to vote can vote:

- (a) in person – by attending the Special Meeting and bringing your personalised admission card (which accompanies this Scheme Booklet);
- (b) by submitting a postal vote (which can be done online);
- (c) by proxy (which can be done online); or
- (d) by corporate representative – a company which is a Shareholder may appoint a person to attend the Special Meeting on its behalf in the same manner as that in which it could appoint a proxy.

Voting by Postal Vote or Proxy

If you are unable to attend the Special Meeting in person, you can vote by submitting a postal vote or appointing a proxy to attend and vote on your behalf. If you choose to appoint a proxy, you should arrange to have your proxy attend the Special Meeting if you appoint a person other than the Chair of the Special Meeting as your proxy.

To submit a postal vote or appoint a proxy:

- (a) Complete the Voting/Proxy Form and submit it as set out below.
- (b) Completed Voting/Proxy Forms must be received by Link no later than 10.00am on Sunday 10 March 2019 (New Zealand time).
- (c) You can submit your Voting/Proxy Form:
 - (i) online: <https://investorcentre.linkmarketservices.co.nz/voting/MVN>. You will be required to enter your holder number and FIN for security purposes
 - (ii) by email: meetings@linkmarketservices.co.nz (please use “Methven Proxy Form” as the subject for easy identification)
 - (iii) by mail: Link Market Services Limited
PO Box 91976
Auckland 1142
 - (iv) in person: Link Market Services Limited
Level 11, Deloitte Centre
80 Queen Street, Auckland 1010
 - (v) by fax: +64 9 375 5990

If, in appointing a proxy, you have not named a person to be your proxy, or your named proxy does not attend the Special Meeting, the Chair of the meeting will be your proxy and will vote in accordance with your express direction. If you have not included an express direction, the Chair will exercise your vote in favour of the Scheme.

Link has been authorised by the Methven Board to receive and count postal votes at the Special Meeting.

If you have a question for the Chair of the Special Meeting

Shareholders are invited to submit their questions for the Chair in writing as set out below. Methven has discretion as to which, and how, questions will be answered during the Chair's address at the Special Meeting.

- (a) online: <https://investorcentre.linkmarketservices.co.nz/voting/MVN>. You will be required to enter your holder number and FIN for security purposes
- (b) by email: meetings@linkmarketservices.co.nz (please use “Methven Question” as the subject for easy identification)
- (c) by mail: Link Market Services Limited
PO Box 91976
Auckland 1142
- (d) by fax: +64 9 375 5990

If you are not in favour of the Scheme

If you are not in favour of the Scheme, you can vote against it at the Special Meeting (in person, by postal vote, by proxy or by corporate representative). As a Shareholder, you also have the right to appear and be heard at the Final Court Hearing. You will need to file a notice with the Court. Further details are set out in section 6.12.

If you do not want to participate in the Scheme, you are free to sell your Methven Shares at any time before trading in Methven Shares is suspended in anticipation of the implementation of the Scheme (expected to be the date which is two Business Days before the Scheme Record Date).

NZX approval

This Notice of Meeting has been approved by NZX in accordance with Listing Rule 6.1.1. However, NZX does not take responsibility for any statement contained in this Notice of Meeting.

Defined terms

Capitalised terms used in this Notice of Meeting have the meanings given to them in the Glossary in section 9 of the Scheme Booklet.

6. INFORMATION ABOUT THE SCHEME

YOUR VOTE IS IMPORTANT

For the Scheme to proceed, it is necessary that BOTH of the two voting thresholds are met:

- (a) 75% or more of the votes cast in each interest class must be voted in favour of the Scheme Resolution; and
- (b) more than 50% of the total number of votes able to be cast (whether or not actually voted) must be voted in favour of the Scheme Resolution.

6.1 RATIONALE FOR THE SCHEME

Methven has entered into the Scheme Implementation Agreement with GWA Group as the Directors believe that the Scheme provides an attractive opportunity for Shareholders to realise the future value of their Methven Shares in cash now. The Scheme provides Shareholders the opportunity to determine the future of their investment in Methven through exercising their right to vote.

GWA Group is listed on the Australian Stock Exchange (ASX) and is a leading Australian designer, importer and distributor of iconic brands and products, servicing and enhancing residential and commercial bathrooms and kitchens across Australia and New Zealand. As such, the Directors believe that GWA Group can assist in accelerating the growth of Methven in local and international markets, provide an opportunity to unlock the potential of the Methven brands and achieve faster growth globally.

GWA Group has represented in the Scheme Implementation Agreement that it will support the design, innovation and manufacturing base for Methven's taps and showers business in New Zealand. GWA has represented that this support will involve ensuring that the Methven's taps and showers business in Auckland, New Zealand remains an innovation and research & development centre for the GWA Group's overall business and that, as a consequence, jobs relating to these functions are retained in New Zealand. Although these representations are made contractually in the Scheme Implementation Agreement, they are broad in nature (in particular they are not limited by time or otherwise qualified). GWA Group has confirmed its intention to act in accordance with the representations but circumstances could arise in the future that may cause GWA Group to act in an inconsistent manner. Shareholders should therefore exercise caution in relying on the representations.

6.2 SUMMARY OF THE SCHEME

The Scheme is the proposed transaction under which GWA Group would acquire all of the shares in Methven for a cash consideration of \$1.60 per Methven Share. GWA Group proposes to acquire the Methven Shares via GWA NZ, an indirectly wholly-owned subsidiary of GWA Group.

In addition to the Scheme Consideration, Shareholders will be entitled to receive a dividend of up to \$0.05 per Methven Share (the amount to be determined by the Methven Board) from half year FY19 profits, if they are a Shareholder on the record date for the 1H19 Dividend. If the OIO Condition is not satisfied on or before 30 June 2019, Methven may also pay Shareholders a 2H19 Dividend of up to \$0.05 per Methven Share (the amount to be determined by the Methven Board) payable out of the profits of the second half of FY19.

Methven negotiated the ability for it to pay to Shareholders the 1H19 Dividend and (if applicable) the 2H19 Dividend, despite the Scheme Implementation Agreement including a customary restriction on the payment of dividends in general. See section 6.9 for background information about the 1H19 Dividend and 2H19 Dividend.

The Scheme follows confidential discussions between GWA Group and the Methven Board and a period of due diligence. Upon conclusion of the negotiations Methven and GWA Group entered into the Scheme Implementation Agreement.

Under the Scheme Implementation Agreement, Methven agrees to propose the Scheme between Methven, GWA and Shareholders, the effect of which will be that all Methven Shares will be transferred to GWA NZ and GWA NZ will provide or procure the provision of the Scheme Consideration to Shareholders.

GWA Group has appointed GWA NZ to acquire the Methven Shares. Both GWA Group and GWA NZ have entered into the Deed Poll under which GWA NZ agrees to complete the acquisition in accordance with the Scheme Implementation Agreement and GWA Group guarantees this obligation.

Conditions

Implementation of the Scheme is subject to the satisfaction or waiver of the following Conditions:

- (a) Overseas Investment Office consent to the implementation of the Scheme on terms or conditions acceptable to GWA Group;
- (b) High Court approval of the Scheme in accordance with section 236 of the Companies Act;
- (c) passing of the Scheme Resolution by the Shareholders;
- (d) no judgment, order, restraint or prohibition being enforced or issued by any Government Agency that prohibits, prevents or materially restricts the implementation of the Scheme;
- (e) no Material Adverse Change occurring before 8.00am on the Scheme Implementation Date; and
- (f) no Methven Prescribed Occurrence occurring before 8.00am on the Scheme Implementation Date.

The definition of Material Adverse Change is set out in the Glossary. A Methven Prescribed Occurrence refers to the matters listed in Schedule 1 of the Scheme Implementation Agreement.

If these Conditions are not satisfied or waived before the End Date, either party can terminate the Scheme Implementation Agreement.

If the Overseas Investment Office consent to the Scheme is not received on or before 30 June 2019, Methven may pay a second dividend of up to \$0.05 per Methven Share (the amount to be determined by the Methven Board) out of the profits for the six month period to 30 June 2019, prior to the Scheme becoming effective.

Recommendation and Voting Intentions

In the absence of a Superior Proposal arising, each of the Independent Directors recommends that Shareholders vote in favour of the Scheme and each Director intends to vote all of the Methven Shares that he or she holds or controls in favour of the Scheme.

Exclusivity

Methven has granted GWA Group the following exclusivity rights that apply until the earlier of the Implementation Date and, if applicable, the date the Scheme Implementation Agreement is terminated (**Exclusivity Period**):

- (a) Methven must not solicit, invite, encourage or initiate any Competing Proposal or any offer, proposal, expression of interest, enquiry, negotiation or discussion with any third party in relation to a Competing Proposal;

- (b) Methven must not enter into, permit, continue or participate in, negotiations or discussions in relation to a Competing Proposal;
- (c) Methven must not make available to a third party, or cause or permit a third party to receive, any non-public information relating to Methven that may reasonably be expected to assist a third party to formulate, develop or finalise a Competing Proposal;
- (d) if Methven receives a Competing Proposal, or any offer or request to do anything referred to in the no talk or no due diligence provisions or exceptions to those provisions (as described below), Methven must immediately notify GWA Group; and
- (e) if Methven receives a Competing Proposal, it must give GWA Group five business days to provide a proposal that is equivalent to the terms of the Competing Proposal or a Superior Proposal. If GWA Group does not provide an equivalent or superior proposal, the Exclusivity Period ends.

There are exceptions to the no talk and no due diligence restrictions where the Directors determine that a Competing Proposal is, or is reasonably likely to constitute, a Superior Proposal and that failing to respond to such Competing Proposal would be likely to constitute a breach of their fiduciary or statutory duties.

Reimbursement Fees

The Target Reimbursement Fee is payable by GWA Group to Methven where:

- (a) Methven terminates the Scheme Implementation Agreement due to a material breach of that agreement by GWA or an insolvency event occurs in respect of GWA Group; or
- (b) either party terminates the Scheme Implementation Agreement due to the Overseas Investment Office consent not being obtained before the End Date.

The Bidder Reimbursement Fee is payable by Methven to GWA Group where:

- (a) a Competing Proposal is announced and, within 15 months of the date of that the Scheme Implementation Agreement is terminated, the Competing Proposal completes;
- (b) a Competing Proposal is received by Methven or made public, the Independent Adviser's Report concludes that the Scheme Consideration is not within or above the Independent Adviser's valuation and, within 15 months of the date of the Competing Proposal being received or made public, the Competing Proposal completes;
- (c) any Director fails to make, withdraws, changes or qualifies a recommendation to vote in favour of the Scheme and the Scheme is not implemented (other than in circumstances where the Independent Adviser's Report concludes that the Scheme Consideration is not within or above the Independent Adviser's valuation);
- (d) GWA Group terminates the Scheme Implementation Agreement due to a material breach by Methven or a Methven Prescribed Occurrence occurs;
- (e) GWA Group terminates the Scheme Implementation Agreement because there is a Superior Proposal that is unmatched by GWA Group; or
- (f) Methven terminates the Scheme Implementation Agreement because the Independent Adviser's Report concludes that the Scheme Consideration is below the Independent Adviser's valuation range for the Methven Shares.

The Bidder Reimbursement Fee will not be payable by Methven to GWA Group if the Scheme does not proceed because it is not approved by Shareholders by the requisite majorities. The Bidder Reimbursement Fee will also not be payable in circumstances where there is a Superior Proposal that is unmatched by GWA Group and GWA Group wishes to continue with the Scheme so prevents Methven from terminating the Scheme Implementation Agreement.

Termination Rights

Either Methven or GWA Group may elect to terminate the Scheme Implementation Agreement if:

- (a) the Independent Adviser's Report concludes that the Scheme Consideration is below the Independent Adviser's valuation range for the Methven Shares;
- (b) the Special Meeting is held but the Scheme Resolution is not passed by the necessary majority;
- (c) the High Court determines not to make the Final Court Orders;
- (d) the consent of the Overseas Investment Office to the Scheme is not obtained by the End Date;
- (e) the Scheme has not otherwise become effective by the End Date; or
- (f) the other party has not remedied a breach of the Scheme Implementation Agreement which is material in the context of Methven (or any of its Related Companies) as a whole (including, in the case of Methven, a Director failing to recommend the Scheme).

GWA Group may elect to terminate the Scheme and the Scheme Implementation Agreement if:

- (a) a Material Adverse Change or Methven Prescribed Occurrence occurs; or
- (b) a Competing Proposal is received by Methven that is a Superior Proposal and GWA Group does not match it.

Methven may elect to terminate the Scheme Implementation Agreement if:

- (a) a Competing Proposal is received that is a Superior Proposal and GWA Group, having not terminated itself, does not give notice to Methven that Methven cannot terminate; or
- (b) an insolvency event occurs in respect of GWA Group.

Covenants, Warranties and Undertakings

From the date of the Scheme Implementation Agreement until the Implementation Date Methven covenants with GWA Group to carry on its business in the ordinary course and within certain defined parameters unless GWA Group consents otherwise.

Methven and GWA Group give customary representations, warranties and undertakings to one another.

Breach of a warranty by Methven that has a material effect on the Methven group as a whole will give rise to a termination right for GWA Group. The representations, warranties and undertakings given by Methven are set out in Schedule 2 of the Scheme Implementation Agreement and include (among others):

- (a) representations about the accuracy of the due diligence material and that all material information has been disclosed;
- (b) a representation that no Methven Prescribed Occurrence has occurred;
- (c) representations about Methven's regulatory compliance, including that Methven is not in breach of its disclosure obligations under the Companies Act or the Listing Rules; and
- (d) representations that there is no material contamination present at any of Methven's premises and that no member of the Methven group has sold or supplied products which might give rise to a material claim.

6.3 REASONS TO VOTE IN FAVOUR OF THE SCHEME

The Methven Board believes that the following considerations are valid reasons for you to vote in favour of the Scheme:

(a) Your Independent Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

Your Independent Directors unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme Resolution required to implement the Scheme at the Special Meeting to be held at 10.00am on Tuesday, 12 March 2019.

In reaching their recommendation to vote in favour of the Scheme, your Independent Directors have considered the merits of the Scheme, the Scheme Consideration in relation to the Independent Adviser's valuation range, as well as the outlook for Methven's businesses and broader market conditions.

Your Independent Directors who hold or control Methven Shares intend to vote all of the Methven Shares that they hold or control in favour of the Scheme, in the absence of a Superior Proposal. The shareholding interests of your Independent Directors are set out in section 8.5.

(b) The Scheme Consideration is at the top of the Independent Adviser's valuation range. The 1H19 Dividend is payable in addition to this

Methven has appointed Grant Samuel as the Independent Adviser to prepare an Independent Adviser's Report on the merits of the Scheme. Grant Samuel has assessed the value of Methven to be in the range of between \$1.41 and \$1.60 per Methven Share.

(c) The Scheme Consideration represents a material premium to the recent Methven share price on a variety of measures

The Scheme Consideration represents a premium of:

- (i) 39% to Methven's closing price on the NZX Main Board on 13 December 2018, being the last trading day prior to the announcement of Methven's entry into the Scheme Implementation Agreement with GWA Group;
- (ii) 39% to Methven's six month volume weighted average price (VWAP) ending 13 December 2018;
- (iii) 45% to Methven's 12 month VWAP ending 13 December 2018.



In addition to the Scheme Consideration, Shareholders are also entitled to receive the 1H19 Dividend of up to \$0.05 per Methven Share from half year FY19 profits and (if applicable) the 2H19 Dividend of up to \$0.05 per Methven Share from the second half of FY19 profits (the final amounts to be determined by the Methven Board) if they are a Shareholder on the record date for the relevant dividend. Under the terms of the Scheme Implementation Agreement, Methven has agreed not to take a number of actions prior to the implementation of the Scheme, including the payment of dividends. However, Methven negotiated the ability for it to pay to Shareholders the 1H19 Dividend and (if applicable) the 2H19 Dividend, notwithstanding those restrictions and without reduction of the Scheme Consideration. See section 6.9 for further background about the 1H19 Dividend and 2H19 Dividend.

(d) The Scheme provides an opportunity for Shareholders to realise the future value of their Methven Shares now for 100% cash consideration

Your Independent Directors are confident that Methven is well positioned to deliver earnings growth in the long term by leveraging its core intellectual property and award-winning designs across its markets. However, initiatives to achieve this will take time to implement and carry execution risks. The Scheme Consideration offered to Methven Shareholders is 100% cash, and GWA Group's proposal is for all of your Methven Shares. Your Independent Directors are confident the Scheme Consideration represents an attractive opportunity to realise some of this future value now.

If the Scheme does not proceed, the amount which you will be able to realise for your investment in Methven by selling Methven Shares on market or by receiving dividends, will be uncertain. You will continue to be subject to the benefits and risks associated with Methven's business and other general benefits and risks relating to any investment in a publicly-listed company. Among other things, these benefits and risks include the performance of Methven's business, general economic conditions and movements in the share market.

The Scheme will remove the uncertainty of future value and liquidity for you by providing you with the ability to sell your shareholding in Methven at an attractive price.

Over the last seven years Methven Shares have traded below a \$1.60 share price. The chart below shows Methven's share price since last trading at \$1.60 in April 2011 to the last trading day prior to the announcement of the Scheme.



The Directors are unable to determine the level at which Methven Shares will trade at in the future but believe that, in the absence of this Scheme being implemented or a Superior Proposal, the price at which your Methven Shares trade is likely to be below the Scheme Consideration. Furthermore, the future trading price of Methven Shares will continue to be subject to market volatility as compared to the certainty provided by the Scheme Consideration.

(e) GWA Group has committed to support the design, innovation and manufacturing base for Methven taps and showers in New Zealand

Under the Scheme Implementation Agreement, GWA Group has represented to Methven (for itself and on behalf of each Shareholder) that GWA Group will continue to support the design, innovation, and manufacturing base for Methven's taps and showers business in New Zealand. GWA Group represented that this involves ensuring that Methven's taps and showers business in Auckland remains an innovation and research & development centre for GWA Group's overall business, and retaining jobs related to those functions in New Zealand. Although these representations are made contractually in the Scheme Implementation Agreement, they are broad in nature (in particular they are not limited by time or otherwise qualified). GWA Group has confirmed its intention to act in accordance with the representations but circumstances could arise in the future that may cause GWA Group to act in an inconsistent manner. Shareholders should therefore exercise caution in relying on the representations.

(f) The largest Shareholder intends to vote its shares in favour of the Scheme

Methven's largest Shareholder, Lindsay Investment Trust (which holds 19.89% of Methven Shares and is controlled by Brendan Lindsay), has agreed to vote all of its Methven Shares in favour of the Scheme, subject to no Superior Proposal arising (this is explained in further detail in section 7.7). The Methven Board considers that the Lindsay Investment Trust's agreement to vote in favour of the Scheme provides an endorsement of the offer by GWA Group and the value it represents to Shareholders.

(g) No Superior Proposal has emerged since the Scheme was announced

Since the announcement of GWA Group's proposal to the NZX Main Board by Methven on 14 December 2018, and up to the date of this Scheme Booklet, no Superior Proposal has emerged. Your Independent Directors believe that a Superior Proposal is not likely to be forthcoming given the absence of any other offers during this period.

(h) No brokerage costs will be charged on the transfer of your Methven Shares to GWA NZ if the Scheme proceeds

This is in contrast to selling your Methven Shares on the NZX Main Board where you may incur brokerage charges.

6.4 REASONS YOU MAY DECIDE NOT TO VOTE IN FAVOUR OF THE SCHEME

The Methven Board believes there may be valid reasons you may decide not to vote in favour of the Scheme, including:

(a) You may wish to maintain an investment in a publicly listed company with the specific characteristics of Methven in terms of industry, operations, profile, size, capital structure and potential dividend stream

If the Scheme is approved and implemented, you will be paid 100% cash consideration and cease to be a Shareholder. As such, you will no longer be exposed to the benefits and risks of Methven's future financial performance or the future prospects of its ongoing business. However, there is no guarantee as to Methven's future performance, as with all investments in listed securities.

(b) You may consider that Methven has greater value over the longer term than you will receive under the Scheme

If the Scheme is approved and implemented, it is expected to complete on 10 April 2019 (subject to the timing of satisfying the OIO Condition). This timeframe may not be consistent with your investment objectives and you may consider that your Methven Shares have greater value over the longer term.

You may consider that Methven has stronger long term growth potential and that the Scheme Consideration does not fully reflect your views on long term value. You may therefore prefer to retain your listed Methven Shares and realise the value of your Methven Shares over the longer term.

(c) You may consider that the Scheme is not in your best interests or you may believe that the Independent Adviser's valuation range does not reflect the full value of Methven

Despite the valuation range provided by the Independent Adviser, you may believe that the Scheme is not in the best interests of Shareholders or not in your individual interests.

(d) You may consider that there is a possibility that a Superior Proposal could emerge

However, your Independent Directors have no basis to believe an alternative proposal will be received, given that the Directors have not received any approaches since the announcement of GWA Group's proposal on 14 December 2018.

(e) The tax implications of the Scheme may not suit your current financial position

If the Scheme is approved and implemented, it could result in adverse tax implications. We suggest that you take your own tax advice to consider any tax implications of the Scheme.

(f) You may consider that the Scheme is subject to Conditions that you consider unacceptable

The Scheme is subject to a number of Conditions, including Shareholder approval, High Court approval, no Material Adverse Change nor any Methven Prescribed Occurrence occurring and Overseas Investment Office consent to the Scheme.

All of the Conditions are summarised in section 6.2. If these Conditions are not satisfied or waived (where capable of waiver) by the End Date (or such later date that Methven and GWA Group may agree), the Scheme will not proceed (even if it has been approved by Shareholders) and you will not receive the Scheme Consideration as contemplated by the Scheme, unless Methven and GWA Group agree to extend this timeframe.

6.5 ADDITIONAL MATTERS FOR YOU TO CONSIDER

The Methven Board believes you should also consider the following when deciding whether to vote in favour of the Scheme:

(a) You may sell your Methven Shares on the NZX Main Board or at any time prior to suspension of Methven Shares from trading

You should take into account that you may be able to sell your Methven Shares on the NZX Main Board at any time before trading in Methven Shares is suspended in anticipation of the implementation of the Scheme (expected to be the date which is two Business Days before the Scheme Record Date) if you do not wish to hold them and participate in the Scheme. However, you should be aware that you may not receive consideration equivalent to the Scheme Consideration of \$1.60 cash per share, and may incur brokerage charges on the sale. You should seek your own independent professional advice to determine if your individual financial or taxation circumstances may make it preferable for you to do so.

(b) The Scheme may be implemented even if you do not vote at the Special Meeting or you vote against the Scheme

Regardless of whether you vote for or against the Scheme, abstain or do not vote at all, the Scheme may still be implemented if it is approved by Shareholders and the High Court, and the other Conditions are satisfied or waived. If this occurs, your Methven Shares will be transferred to GWA NZ and you will receive the Scheme Consideration.

(c) There are implications to consider if the Scheme is not approved

If the Scheme is not approved by Shareholders, or the High Court, or the other Conditions are not satisfied or waived:

- (i) you will not receive the Scheme Consideration;
- (ii) your Methven Shares will not be transferred to GWA NZ (they will be retained by you);
- (iii) Methven will continue to operate as a stand-alone entity listed on the NZX Main Board;
- (iv) you will continue to be exposed to the benefits and risks associated with Methven's business and other general benefits and risks relating to any investment in a publicly listed company; and
- (v) in the absence of a Superior Proposal, it is likely that the price at which Methven Shares trade may fall.

(d) Warranties by Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to GWA Group on the Scheme Implementation Date that all their Methven Shares which are transferred under the Scheme will be fully paid and free from encumbrances or interests of third parties and that they have full power and capacity to transfer their Methven Shares to GWA NZ. Full details of the warranties to be provided are set out in the Scheme Plan attached as Annexure B.

6.6 HIGH COURT APPROVAL OF THE SCHEME

As the Scheme is to be implemented by a High Court approved scheme of arrangement under Part 15 of the Companies Act, the High Court is empowered to make orders binding on Methven, the Shareholders, GWA and any other affected parties. Initial Court Orders were granted by the High Court on 7 February 2019. These Initial Court Orders require Methven to convene the Special Meeting (a copy of the Initial Court Orders are available on the NZX market announcements platform and on Methven's website).

Provided that the Scheme Resolution is passed by the requisite majorities at the Special Meeting (refer to section 6.7) and the other steps required to implement the Scheme (as set out in this Scheme Booklet) are realised, Methven will seek the Final Court Orders from the High Court. The Final Court Orders will (subject to the residual Conditions being satisfied, including the OIO Condition if it has not already been obtained) make the Scheme binding on Methven, the Shareholders (regardless of how or if individual Shareholders vote on the Scheme Resolution) and GWA. The originating application to the High Court in respect of the Final Court Orders will be available from Methven on request.

On the Final Orders Date, the High Court will consider whether to make orders approving the Scheme. The High Court will consider whether:

- (a) there has been compliance with the relevant procedural rules, the relevant legislation and the Initial Court Orders made by the High Court on 7 February 2019 (including in relation to the Special Meeting);
- (b) the Scheme has been fairly put to Shareholders, including whether the Scheme Booklet puts the information reasonably necessary to enable each class of Shareholders to judge and vote on the Scheme;
- (c) Shareholders in each class are fairly represented by those Shareholders who vote on the Scheme; and
- (d) the Scheme is such that it might reasonably be approved by an intelligent and honest business person acting in respect of his or her own interest.

Each Shareholder has the right to appear at the Final Court Hearing (refer to section 6.12).

6.7 VOTING REQUIREMENTS TO APPROVE THE SCHEME

For the Scheme to be approved by the Shareholders, the votes cast in favour of the Scheme Resolution at the Special Meeting must represent:

- (a) 75% or more of the votes cast by the Shareholders in each interest class⁸ on the Scheme Resolution; and
- (b) more than 50% of the votes able to be cast (whether or not actually voted).

6.8 TAKEOVERS PANEL'S NO OBJECTION STATEMENT

Methven has applied for a statement from the Takeovers Panel indicating that the Takeovers Panel has no objection to the High Court making the Final Court Orders to approve the Scheme. This is commonly referred to as a "no objection statement".

However, the Takeovers Panel does not issue "no objection statements" until just before documents are filed for the Final Court Hearing in respect of the Scheme. This will not take place until after the Special Meeting.

In the meantime, Methven requested from, and has been granted by, the Takeovers Panel a preliminary statement (called a "letter of intention"), which was provided to the High Court in support of the application by Methven for the Initial Court Orders. The Takeovers Panel has indicated in its "letter of intention" that, on the basis of the documents and information provided to it, it intends to issue a final "no objection statement" on or before the Final Orders Date.

⁸ The principles for determining interest classes are set out in Schedule 10 to the Companies Act. In general, shareholders whose rights are so dissimilar that they cannot sensibly consult together about a common interest will form a separate interest class for the purposes of voting on the Scheme Resolution. As at the date of this Scheme Booklet, it is expected that all Shareholders will comprise one interest class. In the event that GWA, or entities associated with it, acquires Methven Shares before the Voting Eligibility Date, it will constitute a separate interest class. However, GWA has agreed that it would sign a deed poll committing to vote any such shares in favour of the Scheme.

6.9 1H19 DIVIDENDS AND 2H19 DIVIDENDS

Under the Scheme Implementation Agreement, Methven agreed customary restrictions on paying dividends in general, with those restrictions designed to prevent the value of Methven being decreased by distributions after GWA agreed to pay the Scheme Consideration (i.e. the value was set). However, Methven negotiated the ability for it to pay to Shareholders the 1H19 Dividend of up to \$0.05 per Methven Share and (if applicable) the 2H19 Dividend of up to \$0.05 per Methven Share (the amounts to be determined by the Methven Board), notwithstanding those restrictions and without reduction of the Scheme Consideration.

The Methven Board, therefore, believes that the value of the 1H19 Dividend and (if applicable) the 2H19 Dividend, represent value to Shareholders in addition to the Scheme Consideration. Methven sought this as it believes that, in addition to the Scheme Consideration, Shareholders should be entitled to benefit from earnings relating to the period prior to GWA's acquisition of Methven in the manner agreed with GWA.

6.10 PAYMENT OF SCHEME CONSIDERATION

The Scheme Consideration will be paid in New Zealand dollars.

Payment will be made to you by direct credit if Link has your bank account details recorded for you. If Link does not have bank account details sufficiently recorded for you, payment will be made by cheque sent to your registered address. If you have not previously provided bank account details, or want to change your bank account details, and want to be paid by electronic transaction, please contact Link directly by 5.00pm on the Scheme Record Date.

Payment of the Scheme Consideration will be made on the Scheme Implementation Date, currently expected to be 10 April 2019 (subject to the timing of satisfying the OIO Condition).

Payment of the 1H19 Dividend and (if applicable) the 2H19 Dividend will be made after the Special Meeting but before or on the Scheme Implementation Date to Shareholders who hold Methven Shares on the record date for the relevant dividend.

If a Shareholder does not have a registered address, or Methven considers the Shareholder is not known at its registered address and no bank account has been nominated, payment due to the Shareholder will be held by Methven until claimed or applied under Methven's constitution and the relevant laws dealing with unclaimed money (and otherwise in accordance with the Scheme Plan attached as Annexure B).

6.11 SCHEME RECORD DATE

Those Shareholders on the Register on the Scheme Record Date will be entitled to receive the Scheme Consideration. The 1H19 Dividend will be paid in the ordinary course and otherwise on or before the Scheme Record Date.

Dealings on or prior to the Scheme Record Date

For the purpose of determining which Shareholders are eligible to participate in the Scheme, dealings in Methven Shares will be recognised only if:

- (a) in the case of dealings of the type to be effected through NZX's clearing and settlement system, the transferee is registered on the Register as the holder of the relevant Methven Shares as at 5.00pm on the Scheme Record Date; or
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings or valid requests in respect of other alterations are received by Link on or before 5.00pm on the Scheme Record Date.

For the purposes of determining entitlements under the Scheme, Methven will not accept for registration or recognise any transmission or transfer applications in respect of Methven Shares received after 5.00pm on the Scheme Record Date. Methven intends to apply to NZX for Methven Shares to be suspended from official quotation on the NZX Main Board from close of trading on the date which is two Business Days before the Scheme Record Date. This is expected to be 1 April 2019 (subject to the timing of satisfying the OIO Condition).

For the purpose of determining entitlements to the Scheme Consideration, Methven must maintain the Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements under the Scheme.

6.12 SHAREHOLDER OBJECTION RIGHTS

If you do not support the Scheme, you can vote against the Scheme Resolution at the Special Meeting.

In addition, if you are a Shareholder, you may appear and be heard at the application for Final Court Orders, which is expected to occur at 10.00am on Wednesday, 27 March 2019 at the Auckland Registry of the High Court. To do so, you must file a notice of appearance or a notice of opposition (in either case containing an address for service), and any affidavits or memoranda of submissions on which you intend to rely, by 5.00pm on Friday, 15 March 2019, and serve a copy on Methven at the offices of Simpson Grierson at Level 27, Lumley Centre, 88 Shortland Street, Auckland. If you do this, Methven will serve you, at your address for service, a copy of all documents filed in support of the application for Final Court Orders by 5.00pm on Wednesday, 20 March 2019.

Any other person claiming to have a proper interest in the Scheme, who wishes to appear and be heard on the application for Final Court Orders must file an application for leave to be heard and a notice of opposition (both containing an address for service), any affidavits, and a memorandum of submissions upon which such person intends to rely, by 5.00pm on Friday, 15 March 2019 and serve a copy on Methven at the offices of Simpson Grierson at Level 27, Lumley Centre, 88 Shortland Street, Auckland. If you do this, Methven will serve upon any such person, at their address for service, a copy of the affidavits in support of the application for Final Court Orders by 5.00pm on Wednesday, 20 March 2019.

If the application for Scheme approval is opposed, oppositions will be heard by the High Court at 10.00am on Wednesday, 27 March 2019, or such later date as the High Court directs.

In addition, the Takeovers Panel may consider an objection by a Shareholder or other interested party to the Scheme when determining whether to provide its “no objection statement”. Written objections can be submitted directly to the Takeovers Panel (whether or not a “no objection statement” is granted) by email (takeovers.panel@takeovers.govt.nz).

There are no other dissent or buy-out rights for Shareholders who do not support the Scheme.

If you do not want to participate in the Scheme, you are free to sell your Methven Shares at any time before trading in Methven Shares is suspended in anticipation of the implementation of the Scheme (expected to be the date which is two Business Days before the Scheme Record Date). The then prevailing market price may vary from the Scheme Consideration.

6.13 DELISTING OF METHVEN

Subject to the Scheme Resolution being passed, Methven will apply for termination of the official quotation of Methven Shares on the NZX Main Board and if the Scheme is implemented, Methven will be removed from the NZX Main Board from close of trading on the Scheme Implementation Date.

**PART B – DETAILED INFORMATION ABOUT THE SCHEME
(INCLUDING STATUTORY DISCLOSURES)**

7. GWA INFORMATION

Information in this section 7 has been prepared by, and is the responsibility of, GWA Group. Methven does not assume any responsibility for the accuracy or completeness of this information.

GWA Group is a leading Australian supplier of building fixtures and fittings to residential and commercial premises. Headquartered in Eagle Farm, Brisbane, GWA Group was listed on the Australian Securities Exchange in May 1993 and is a member of the S&P/ASX 200 index of listed Australian companies.

GWA Group's primary activities are the design, import and distribution of iconic brands and products that service and enhance residential and commercial bathrooms and kitchens across Australia, New Zealand and selected international markets. The product range is distributed under market leading brands, including Caroma, Dorf, and Clark. For the financial year ended 30 June 2018, GWA Group recorded from continuing operations revenue of A\$359m, earnings before interest and tax (EBIT) of A\$76.2m, and earnings per share (EPS) of 19.0 cents, and currently has 385 employees. More information on GWA Group can be found at www.gwagroup.com.au.

Over the last four years, GWA Group has strategically shifted from being a diverse building products company spread across numerous segments, to having a clear focus on bathroom and kitchen products and solutions. Specifically, GWA Group's strategic focus is on becoming a superior water solutions provider within the Bathrooms & Kitchens business. The Bathrooms & Kitchens business continues to have strong market positions, market-leading brands and significant growth opportunities. In line with this strategic focus, GWA Group sold its Doors & Access business to Allegion for A\$105m in July 2018.

As part of an increasing focus on water technology solutions, GWA Group continues to pursue new product development and research and development in the bathrooms and kitchens segment. As an example, the Caroma Smart Command® system is a newly released ecosystem for intelligent bathroom solutions which GWA Group believes will improve sustainability, cost, consumer experience and decision making for commercial bathrooms. The solution fits into a range of GWA Group's touchless bathroom products and enables building managers to monitor water use in real-time and make smarter decisions that reduce maintenance costs, while improving hygiene and up time.

GWA Group has been operational in the New Zealand market for more than 40 years, with Caroma NZ incorporated in New Zealand in 1976.

GWA NZ INFORMATION EQUIVALENT TO SCHEDULE 1 OF THE TAKEOVERS CODE

This section contains information, to the extent applicable, equivalent to the information that would be provided by GWA NZ in a takeover offer document in accordance with Schedule 1 of the Takeovers Code.

GWA NZ has prepared, and is solely responsible for, the information in this section. GWA NZ has not prepared, and is not responsible for, information which is referred to in this section, but which is set out in another section of this Scheme Booklet.

7.1 DATE

This section was prepared, and is current, as at 8 February 2019.

7.2 GWA NZ AND ITS DIRECTORS

The name and address of GWA NZ is:

GWAIL (NZ) Limited

33 Business Parade North
Highbrook, Auckland, 2013

The primary email address for GWA NZ is: RThornton@gwagroup.com.au

The directors of GWA NZ are:

Darryl McDonough
Tim Salt
Richard Thornton

7.3 SCHEME COMPANY

The name of the company to which the Scheme relates is Methven Limited.

7.4 SCHEME TERMS

The terms and conditions of the Scheme are set out in the Scheme Plan attached as Annexure B. A summary of the terms and conditions of the Scheme is included in section 6.2.

7.5 OWNERSHIP OF EQUITY SECURITIES OF METHVEN

None of the following persons hold or control any equity securities in Methven:

- (a) GWA NZ;
- (b) any Related Company of GWA NZ;
- (c) any person acting jointly or in concert with GWA NZ; and
- (d) any director of any person described in paragraphs (a) to (c) above.

Information about the persons who hold or control 5% or more of any class of equity securities in Methven is set out in section 8.5.

7.6 TRADING IN METHVEN EQUITY SECURITIES

None of the persons referred to in sections 7.5(a) to (d) above have acquired or disposed of any equity securities in Methven in the six month period ending on the date of this Scheme Booklet.

7.7 AGREEMENTS TO VOTE IN FAVOUR OF SCHEME

Except as set out in this section 7.7, no person has agreed, or publicly announced an intention, to vote in favour of the Scheme.

Directors and Senior Managers of Methven

Alison Barrass, Richard Cutfield, David Banfield and Steve Tucker, either directly or through associated interests, hold shares in Methven. On 14 December 2018, as required by the Scheme Implementation Agreement, Methven publicly announced that, subject to certain conditions, the Directors who hold or control Methven Shares intend to vote all of their shares that they hold or control in favour of the Scheme.⁹

The number of Scheme Shares held or controlled by each of the directors and their respective associated interests is set out in section 8.5.

GWA also understands that the Senior Managers have confirmed to Methven that they intend to vote in favour of the Scheme. Further information is set out in section 8.7.

Lindsay Investment Trust

The trustees of the Lindsay Investment Trust, which controls 19.89% of the Methven Shares, has agreed to vote their Methven Shares in favour of the Scheme, subject to no Superior Proposal arising and the Scheme Implementation Agreement not being terminated.

A copy of the agreement under which the trustees of the Lindsay Investment Trust agreed to vote in favour of the Scheme is attached to the substantial product holder notice filed by GWA Group on 14 December 2018 with NZX.

In that agreement, GWA Group has warranted that the Scheme Implementation Agreement contains a representation to the effect that:

- (a) GWA will support the design, innovation and manufacturing base for Methven's taps and showers business in New Zealand; and
- (b) this support will involve ensuring that Methven's taps and showers business in Auckland, New Zealand remains an innovation and research and development centre for GWA Group's overall business and that, as a consequence, jobs relating to these functions are retained in New Zealand.

⁹ As noted in section 8.5, Alison Barrass and Richard Cutfield are shareholders and directors of Methven Employee Share Trustee Limited, which holds shares under the Employee Share Plan and the Senior Executive Share Scheme. Under these schemes, the participants control the voting rights to the shares in which the participant holds an interest. Accordingly, Alison Barrass and Richard Cutfield will not control those voting rights. There are also unallocated shares held by Methven Employee Share Trustee Limited which will not be voted.

Although these representations are made contractually in the Scheme Implementation Agreement, they are broad in nature (in particular they are not limited by time or otherwise qualified). GWA Group has confirmed its intention to act in accordance with the representations but circumstances could arise in the future that may cause GWA Group to act in an inconsistent manner. Shareholders should therefore exercise caution in relying on the representations.

7.8 ARRANGEMENTS TO PAY CONSIDERATION

GWA NZ confirms that resources will be available to it sufficient to meet the total Scheme Consideration to be provided to Scheme Shareholders if the Scheme becomes effective.

GWA NZ, GWA Group and Methven have executed the Deed Poll under which GWA Group agrees in favour of each Scheme Shareholder to guarantee the payment by GWA NZ of the Scheme Consideration.

7.9 ARRANGEMENTS BETWEEN METHVEN AND GWA

Except as set out in section 7.8 and this section 7.9, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between GWA or any Associates of GWA and Methven or any Related Company of Methven, in connection with, in anticipation of, or in response to, the Scheme.

(a) Confidentiality Agreements

On 3 October 2018 and 23 October 2018, Methven and GWA Group entered into confidentiality agreements under which each party agreed to keep confidential information provided by the other party in connection with the Scheme.

(b) Scheme Implementation Agreement

Methven and GWA Group entered into the Scheme Implementation Agreement on 14 December 2018. The material terms of the Scheme Implementation Agreement are summarised at section 6.2.

7.10 ARRANGEMENTS BETWEEN GWA AND DIRECTORS AND SENIOR MANAGERS OF METHVEN

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between GWA or any Associates of GWA and any Director or Senior Manager of Methven or any Related Company of Methven (including any agreement or arrangement providing for a payment or other benefit proposed to be made or given by way of compensation for loss of office or as to the Director or Senior Manager remaining in or retiring from office), in connection with, in anticipation of, or in response to, the Scheme.

7.11 FINANCIAL ASSISTANCE

GWA NZ has arrangements in place to pay the total Scheme Consideration. After the Scheme Consideration is paid, Methven will be a wholly-owned subsidiary of GWA NZ and may provide a guarantee or grant security over its assets and the assets of its subsidiaries to the financiers of GWA Group.

7.12 INTENTIONS ABOUT MATERIAL CHANGES TO METHVEN

Given that, if the Scheme becomes effective, GWA NZ will acquire all of the Methven Shares on issue, this information is not applicable.

7.13 NO PRE-EMPTION RIGHTS CLAUSES IN METHVEN'S CONSTITUTION

Methven's constitution does not contain any restrictions on the right of Scheme Shareholders to transfer Scheme Shares (being the equity securities to which the Scheme relates) which have the effect of requiring Scheme Shareholders to offer Scheme Shares for purchase to other Scheme Shareholders or to any other person before transferring the Scheme Shares under the Scheme.

7.14 NO ESCALATION CLAUSES

There is no agreement or arrangement (legally enforceable or not) under which:

- (a) any existing Scheme Shareholder will or may receive in relation to, or as a consequence of, the Scheme any additional consideration or other benefit over and above the Scheme Consideration; or
- (b) any prior holder of equity securities in Methven will or may receive any consideration or other benefit as a consequence of the Scheme.

GWA understands that certain bonuses will be paid by Methven to Senior Managers who hold shares in Methven's Senior Executive Share Scheme. Further information about this is set out in section 8.5.

7.15 ONLY ONE CLASS OF FINANCIAL PRODUCTS IS SUBJECT TO THE SCHEME

The only financial products subject to the Scheme are Scheme Shares. Accordingly, no report is required to be obtained by GWA NZ as to the fairness and reasonableness of the consideration and terms of the Scheme as between different classes of financial products.

8. METHVEN INFORMATION

The information in this section 8 contains information, to the extent applicable that would be provided by Methven in a target company statement under Schedule 2 of the Takeovers Code.

8.1 DATE

This Scheme Booklet is dated 8 February 2019.

8.2 SCHEME

This Scheme Booklet relates to a scheme of arrangement between Methven and its Shareholders in relation to the proposed acquisition of the Scheme Shares by GWA NZ.

8.3 SCHEME COMPANY

The name of the company to which the Scheme relates is Methven Limited.

8.4 DIRECTORS OF METHVEN

The Directors of Methven are:

Alison Barrass	Chair, Independent Director
David Banfield	Managing Director
Antony (Tony) Balfour	Independent Director
Shelley Cave	Independent Director
Richard Cutfield	Independent Director
Steven (Steve) Tucker	Independent Director

The Independent Directors have been determined to be independent for the purposes of the Listing Rules.

8.5 OWNERSHIP OF EQUITY SECURITIES OF METHVEN

Ownership interests of Directors and Senior Managers of Methven

The table below sets out the number and the percentage of Methven Shares held or controlled by each Director or Senior Manager of Methven or their Associates.

Shareholding as at 5 February 2019

Director	Number of Methven Shares	Percentage of Methven Shares
David Banfield	1,228,093 ¹⁰	1.67%
Alison Barrass	78,500 ¹¹	0.11%
Richard Cutfield	200,000 ¹²	0.27%
Steve Tucker	50,000 ¹³	0.07%

¹⁰ David Banfield holds 828,093 Methven Shares as registered and beneficial owner, and has an interest in 400,000 shares, which are held by Methven Employee Share Trustee Limited as a part of the Methven Executive Share Scheme.

¹¹ Alison Barrass is the registered and beneficial owner of these shares. This excludes shares in which Alison Barrass may have a relevant interest as a result of her being a director and shareholder of Methven Employee Share Trustee Limited. Further information about Methven Employee Share Trustee Limited is set out on page 33.

¹² Richard Cutfield's interest in the company is held through a personal discretionary trust of which he is a trustee and a potential beneficiary. This excludes shares in which Richard Cutfield may have a relevant interest as a result of him being a director and shareholder of Methven Employee Share Trustee Limited. Further information about Methven Employee Share Trustee Limited is set out below.

¹³ Steve Tucker is the registered and beneficial owner of these shares.

Senior Manager	Number of Methven Shares issued and held under the Senior Executive Share Scheme ¹⁴	Number of Methven Shares issued and held under the Employee Share Scheme ¹⁵	Number of Methven Shares held as registered and beneficial owner	Total number of Methven Shares	Percentage of Methven Shares
Carl Cheater	0	740	12,000	12,740	0.02%
Andy Chen	200,000	0	0	200,000	0.27%
Richard Evans	100,000	740	3,500	104,240	0.14%
Andrew Grigor	0	740	1,000	1,740	0.002%
Fraser Houghton	50,000	740	2,150	52,890	0.07%
Matthew Jones	100,000	740	1,500	102,240	0.14%
Aaron Latimer	200,000	740	5,000	205,740	0.28%
Troy Mortleman	100,000	0	0	100,000	0.14%
Martin Walker	200,000	0	0	200,000	0.27%

Information within the table above is derived from the public Director and Officer Disclosure Notices published. All percentages are rounded to two decimal points, except for Andrew Grigor.

Except as set out in the tables above, no other Director or Senior Manager or their Associate, holds or controls any equity securities of Methven.

During the two year period prior to the date of this Scheme Booklet, no equity securities were issued to Methven's Directors but the following were issued to Methven's Senior Managers:

Senior Manager	Number of Methven Shares Issued	Percentage of Methven Shares	Reason	Consideration per share	Date of Transaction
Matthew Jones	100,000	0.14%	Issue under Senior Executive Share Scheme	\$1.307	16 March 2017
Troy Mortleman	100,000	0.14%	Issue under Senior Executive Share Scheme	\$1.233	16 March 2017

¹⁴ The shares in which an interest is held under the Senior Executive Share Scheme are held by Methven Employee Share Trustee Limited as a part of the Methven Executive Share Scheme.

¹⁵ The shares in which an interest is held under the Employee Share Plan are held by Methven Employee Share Trustee Limited as a part of the Methven Employee Share Plan.

Employee Incentive Schemes

Methven operates two employee incentive schemes under which interests have been granted to certain employees:

- an executive share scheme (**Senior Executive Share Scheme**); and
- an employee share plan (**Employee Share Plan**).

David Banfield, as the Group Chief Executive Officer, also participates in two incentive schemes.

Senior Executive Share Scheme

Methven operates an equity-settled share-based compensation plan in which the Group Chief Executive Officer and other Senior Managers participate. Under the Senior Executive Share Scheme, participants received loans with which they acquired Methven Shares (with those loans being repayable at the end of the applicable vesting period). The Methven Shares in the Senior Executive Share Scheme are held by Methven Employee Share Trustee Limited for the relevant participants.

Participants in the Senior Executive Share Scheme are eligible to be paid a cash bonus at the end of the vesting period based on certain targets (tested by reference to Methven's performance in the financial years ending 2019 and 2020). In the event of an offer for the acquisition of Methven Shares, the Methven Board may make such arrangements or adjustments to the rights of participants as, in the opinion of the Methven Board, are necessary to ensure that participants are treated fairly. As a result of the Scheme, participants in the Senior Executive Share Scheme will not have the ability to earn the cash bonus described above so the Methven Board has determined, having considered a number of factors and the interests of Methven, the participants and Shareholders, that it would be fair to pay a bonus (in aggregate) of approximately \$1.4 million under the Senior Executive Share Scheme.

Methven will make arrangements to allow for the Scheme Consideration receivable by participants in respect of Methven Shares held under the Senior Executive Share Scheme to first be applied to repayment of the loans, with the residual amount paid to the participants.

Employee Share Plan

In 2016, Methven issued 83,620 Methven Shares to be held by Methven Employee Share Trustee Limited for the benefit of 113 New Zealand based employees. Those Methven Shares are subject to a three-year vesting period during which time they cannot be transferred. The Methven Board has exercised its discretion to permit the transfer of those Methven Shares as part of the Scheme.

Chief Executive Office Schemes

David Banfield participates in two incentive schemes under which he subscribed for (in aggregate) 828,093 Methven Shares. He received a loan from Methven for the subscription price of those shares (other than in respect of the first incentive scheme where he paid cash consideration of \$150,000 and received a loan from Methven for \$350,000 to fund the balance of the subscription price for that scheme). Under the terms of the second incentive scheme, David Banfield is eligible to be paid a cash bonus if certain targets are met (with that bonus to be applied towards early repayment of the loans) but he will not receive a bonus in connection with the Scheme.

Methven will make arrangements to allow for the Scheme Consideration receivable by David Banfield in respect of Methven Shares under the Chief Executive Officer incentive schemes to be first applied to repayment of the loans, with the residual amount paid to him.

Methven Employee Share Trustee Limited

Methven Employee Share Trustee Limited was established to administer and act as custodian over the shares under the respective schemes. Methven Employee Share Trustee Limited holds 1,633,620 shares (representing 2.2%) on behalf of employees under the Senior Executive Share Scheme and the Employee Share Plan.

Under both schemes, the senior executives and employees are the beneficial owners of those shares, and control the voting rights attaching to those shares. Alison Barrass and Richard Cutfield are the Directors and Shareholders of Methven Employee Share Trustee Limited and are not beneficiaries of either of the two schemes. They will vote as decided by the beneficial owners of the shares. The shares held by Methven Employee Share Trustee Limited are not disclosed in the above table for Alison Barrass or Richard Cutfield.

Methven Shares held by Methven Employee Share Trustee Limited for employees generally (rather than for an identified employee) will not be voted.

Ownership interests of Substantial Shareholders

The table below sets out the number and the percentage of Methven Shares held or controlled by any other person holding or controlling 5% or more of the Methven Shares, to the knowledge of Methven. The information in this table is based on information known to Methven on 5 February 2019, being the latest practicable date before the date of this Scheme Booklet.

Shareholding as at 5 February 2019

Shareholder	Number of Methven Shares	Percentage of Methven Shares
Lindsay Investment Trust ¹⁶	14,617,976	19.89%
New Zealand Central Depository Limited ¹⁷	11,887,518	16.18%
Salt Funds Management (New Zealand) Limited ¹⁸	5,271,183	7.17%

Except as set out in the table above, to Methven's knowledge, no other person holds or controls more than 5% of a class of equity securities of Methven.

On 14 December 2018, the Lindsay Investment Trust entered into a voting commitment agreement with GWA Group pursuant to which it agreed to vote in favour of the Scheme at the Special Meeting, and that its Methven Shares will be subject to restrictions on dealing. A substantial product holder notice was submitted by the GWA Group on 14 December 2018 in respect of the voting commitment agreement.

8.6 TRADING IN METHVEN EQUITY SECURITIES

Except for the table below, none of Methven's Directors and Senior Managers or the substantial product holders listed above, have acquired or disposed of any equity securities in Methven during the six month period before 5 February 2019, being the latest practicable date before the date of this Scheme Booklet.

Shareholder	Date	Transaction	Holdings change (%)
Lindsay Investment Trust	4 September 2018	Acquisition of 4,724,882 shares for \$1.20 per share	From 13.37% to 19.89%

¹⁶ Forsyth Barr Custodians Limited is the registered holder of these shares. Forsyth Barr Custodians Limited holds 19.91% of the shares on issue.

On 14 December 2018, Lindsay Investment Trust committed to vote all of the shares it controls in favour of the Scheme, subject to there being no Superior Proposal and to the Scheme Implementation Agreement not terminating.

¹⁷ New Zealand Central Securities Depositories is a custodian fully-owned by the Reserve Bank of New Zealand, which holds legal title on behalf of the members using the NZClear real-time settlement system operated by the Reserve Bank of New Zealand.

¹⁸ Salt Funds Management Limited acts as the Investment Manager for the following entities:

(i) Guardian Nominees No. 2 Limited as custodian for BT Funds Management (NZ) Limited;
(ii) National Nominees Limited as custodian for Salt Investment Funds Limited;
(iii) BNP Paribas Nominees (NZ) Limited as custodian for AMP Capital Investments (New Zealand) Limited; and
(iv) Trustees Executors Limited as custodian for TGH Equities Limited.

None of the entities above have disclosed holdings that exceed 5%.

8.7 INTENTIONS TO VOTE IN FAVOUR OF THE SCHEME

The tables below set out, as at the date of this Scheme Booklet, the name of every Director, Senior Manager and Associate of a Director or Senior Manager who has advised Methven that he or she intends to vote in favour of the Scheme, and the number of Methven Shares in respect of which the person intends to vote in favour of the Scheme.

Director	Number of Methven Shares	Percentage of Methven Shares held
David Banfield	1,228,093	1.67%
Alison Barrass	78,500	0.11%
Richard Cutfield	200,000	0.27%
Steve Tucker	50,000	0.07%
		Total: 2.12%

The shares held by Methven Employee Share Trustee Limited are not disclosed in the above table for Alison Barrass or Richard Cutfield.

Senior Manager	Number of Methven Shares	Percentage of Methven Shares held
Carl Cheater	12,740	0.017%
Andy Chen	200,000	0.272%
Richard Evans	104,240	0.141%
Andrew Grigor	1,740	0.002%
Fraser Houghton	52,890	0.072%
Matthew Jones	102,240	0.139%
Aaron Latimer	205,740	0.279%
Troy Mortleman	100,000	0.136%
Martin Walker	200,000	0.272%
		Total: 1.33%

8.8 OWNERSHIP OF EQUITY SECURITIES OF GWA GROUP

No securities in GWA Group are held or controlled by any of:

- (a) Methven;
- (b) any Director or Senior Manager of Methven; or
- (c) any Associate of a Director or Senior Manager of Methven.

8.9 TRADING IN EQUITY SECURITIES OF GWA GROUP

Neither Methven, nor any Director, Senior Manager or any of their Associates, has acquired or disposed of any equity securities of GWA Group during the six month period before 5 February 2019, being the latest practicable date before the date of this Scheme Booklet.

8.10 ARRANGEMENTS BETWEEN METHVEN AND GWA

Except in relation to the confidentiality agreements at section 7.9(a), the Deed Poll at section 7.8 and the Scheme Implementation Agreement, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between GWA or any Associates of GWA and Methven or any Related Company of Methven in connection with, in anticipation of, or in response to, the Scheme.

8.11 RELATIONSHIP BETWEEN GWA AND DIRECTORS AND SENIOR MANAGERS OF METHVEN

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between GWA and any Associates of GWA, and any Director or Senior Manager of Methven or any Related Company of Methven in connection with, in anticipation of, or in response to, the Scheme.

No Director or Senior Manager of Methven is also a director or senior officer of GWA Group, GWA NZ or any Related Company of GWA Group or GWA NZ.

8.12 AGREEMENT BETWEEN METHVEN AND ITS DIRECTORS AND SENIOR MANAGERS

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Methven or any Related Company of Methven and any Directors, Senior Managers or their Associates of Methven or its Related Companies, under which a payment or other benefit may be made or given by way of compensation for loss of office or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Scheme.

8.13 INTERESTS OF DIRECTORS AND SENIOR MANAGERS OF METHVEN IN CONTRACTS OF GWA GROUP OR ITS RELATED COMPANIES

No Director or Senior Manager or their Associates has an interest in any contract to which GWA Group, or any Related Company of GWA Group, is a party.

8.14 INTERESTS OF METHVEN'S SUBSTANTIAL SECURITY HOLDERS IN MATERIAL CONTRACTS OF GWA GROUP OR ITS RELATED COMPANIES

No person who, to the knowledge of the Directors or the Senior Managers holds or controls 5% or more of any class of equity securities of Methven, has an interest in any material contract to which GWA Group, or any Related Company of GWA Group, is a party.

For completeness, the Lindsay Investment Trust has entered into a voting commitment agreement with GWA Group pursuant to which it agreed to vote in favour of the Scheme in the Special Meeting. Further information is set out in section 8.5.

8.15 ADDITIONAL INFORMATION

The GWA Information in this Scheme Booklet is the responsibility of GWA Group. Having said that, in the opinion of the Methven Directors and to the best of their knowledge, no additional information is required to make that information correct or not misleading.

8.16 RECOMMENDATION

Your Directors unanimously recommend that Shareholders vote in favour of the Scheme Resolution, in the absence of a Superior Proposal. The Directors' reasons for this recommendation are set out in section 6.3.

8.17 ACTIONS OF METHVEN

Except for the arrangements summarised in sections 8.10 to 8.12 above, there are no material agreements or arrangements (whether legally enforceable or not) of Methven or any Related Company of Methven entered into as a consequence of, in response to, or in connection with, the Scheme.

There are no negotiations underway as a consequence of, in response to, or in connection with, the Scheme that relate to, or could result in:

- (a) an extraordinary transaction, such as a merger, amalgamation or reorganisation, involving Methven or any of its Related Companies;

- (b) the acquisition or disposition of material assets by Methven or any of its Related Companies;
- (c) an acquisition of equity securities by, or of, Methven or any of its Related Companies; or
- (d) any material change in the issued equity securities of Methven, or the policy of the Methven Board relating to distributions of Methven.

8.18 EQUITY SECURITIES OF METHVEN

Methven has 73,482,816 Methven Shares on issue. All Methven Shares are fully paid. Methven has no options, or rights to acquire equity securities, on issue.

Subject to certain conditions in the constitution of Methven and the Listing Rules, each Methven Share confers upon the holder the right to:

- (a) an equal share in dividends authorised by the Methven Board;
- (b) an equal share in the distribution of surplus assets on liquidation of Methven;
- (c) participate in certain further issues of equity securities by Methven; and
- (d) cast one vote on a show of hands or the right to cast one vote per share on a poll, at a meeting of Shareholders on any resolution, including a resolution to:
 - (i) appoint or remove a director or auditor;
 - (ii) alter Methven's constitution;
 - (iii) approve a major transaction;
 - (iv) approve an amalgamation involving Methven; and
 - (v) put Methven into liquidation.

8.19 FINANCIAL INFORMATION

A copy of Methven's most recent annual report (being the annual report for the year ended 30 June 2018) is available on Methven's website at <https://www.methven.com/nz/corporate/investor-information>.

Methven expects to release its interim results (which will be in respect of the six months ended 31 December 2018) on 28 February 2019. When released, they will be available on Methven's website at <https://www.methven.com/nz/corporate/investor-information>.

Each person who is eligible to vote on the Scheme may also request from Methven a copy of Methven's most recent annual report by making a written request to:

ATTENTION: Company Secretary
41 Jomac Place
Avondale
Auckland

Methven paid a final dividend for FY18 of \$0.04 per Methven Share on 28 September 2018. In connection with the Scheme, Methven anticipates paying the 1H19 Dividend (up to \$0.05) per Methven Share (subject to determination by the Methven Board), if the Scheme Resolution is passed, on or prior to the Scheme Implementation Date.

Otherwise there have not been any material changes in the financial or trading position, or prospects, of Methven since its 30 June 2018 annual report was prepared and sent to Shareholders.

8.20 INDEPENDENT ADVICE ON MERITS OF THE SCHEME

Grant Samuel & Associates Limited is the Independent Adviser who has provided a report in relation to the merits of the Scheme. A copy of the full Independent Adviser's Report is attached as Annexure A.

8.21 ASSET VALUATIONS

No information provided in this Scheme Booklet refers to a valuation of any asset of Methven.

8.22 PROSPECTIVE FINANCIAL INFORMATION

The Independent Adviser's Report contains prospective financial information in relation to Methven. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

Other than the prospective financial information referred to above, this Scheme Booklet does not refer to any other prospective financial information about Methven.

8.23 SALES OF UNQUOTED EQUITY SECURITIES UNDER THE SCHEME

There are no unquoted equity securities that are subject to the Scheme.

8.24 MARKET PRICES FOR QUOTED EQUITY SECURITIES

The Methven Shares are quoted on the NZX Main Board.

The closing price on the NZX Main Board of Methven Shares on:

- (a) 7 February 2019, being the latest practicable working day before the date on which this Scheme Booklet was sent to Shareholders, was \$1.58 on the NZX Main Board; and
- (b) 13 December 2018, being the last day on which NZX was open for business before the date on which Methven announced that it had entered into the Scheme Implementation Agreement with GWA Group, was \$1.15 on the NZX Main Board.

The highest and lowest closing market prices of Methven Shares on the NZX Main Board (and the relevant dates) during the six months before 13 December 2018 (being the last day on which NZX was open for business before the date on which Methven announced that it had entered into the Scheme Implementation Agreement with GWA Group), were as follows:

- (a) the highest closing market price of Methven Shares was \$1.19 on 9 November 2018;¹⁹ and
- (b) the lowest closing market price of Methven Shares was \$1.00 on 3 August 2018.

During the six month period before 13 December 2018 (being the last day on which NZX was open for business before the date on which Methven announced that it had entered into the Scheme Implementation Agreement with GWA Group), Methven did not issue any equity securities, make any changes to any equity securities on issue, or make any distributions, which could have affected the market prices of Methven Shares referred to above, except that Methven paid a final dividend for the financial year ending 30 June 2018 of \$0.04 per share on 28 September 2018.

Except as set out in this Scheme Booklet, there is no other information about the market price of Methven Shares that would reasonably be expected to be material to the making of a decision by Shareholders when making a decision to vote for or against the Scheme Resolution.

8.25 OTHER

The Directors are not aware of any additional information, which is not required to be disclosed elsewhere in this Scheme Booklet, that could reasonably be expected to be material to the Shareholders when making a decision to vote for, or against, the Scheme Resolution.

8.26 METHVEN BOARD APPROVAL OF METHVEN INFORMATION

The contents of the Scheme Booklet have been approved by the Methven Board, other than:

- (a) the GWA Information, which GWA Group has approved; and
- (b) the Independent Adviser's Report, which has been prepared by Grant Samuel & Associates Limited.

Disclosures about Associates of Senior Managers made in this section are made to the best of Methven's knowledge.

¹⁹ Being the latest day on which Methven Shares traded at the highest closing market price during the six months before 13 December 2018.

9. GLOSSARY

The meaning of terms set out in this Scheme Booklet are set out below:

\$	means New Zealand dollar
1H19 Dividend	means a dividend of up to \$0.05 per Methven Share (the amount to be determined by the Methven Board) from half year FY19 profits, payable to Shareholders on the relevant record date on a date after the passing of the Scheme Resolution but prior to or on the Scheme Implementation Date
2H19 Dividend	means a dividend of up to \$0.05 per Methven Share (the amount to be determined by the Methven Board) payable to Shareholders on the relevant record date out of the profits for the six month period to 30 June 2019, payable prior to the Scheme becoming effective, if the OIO Condition has not been satisfied on or before 30 June 2019
Associate	has the same meaning as in rule 4 of the Takeovers Code
Business Day	means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Auckland, New Zealand and Brisbane, Australia
Bidder Reimbursement Fee	means \$1.2 million plus GST (if applicable)
Companies Act	means the Companies Act 1993 (New Zealand)
Competing Proposal	<p>means a proposal, transaction, or arrangement (or a series of linked or related transaction which if conducted together would constitute a Competing Proposal as set out below) which, if completed, would result in a third party:</p> <ul style="list-style-type: none"> • directly or indirectly acquiring or being entitled to acquire: <ul style="list-style-type: none"> » more than 20% of the shares of Methven; » all or a material part of the business or assets of Methven; • acquiring control of Methven or a material part of the business of Methven; or • otherwise acquiring or merging with Methven
Conditions	means the conditions to the Scheme, which are summarised in section 6.2 of this Scheme Booklet
Deed Poll	<p>means the deed poll in the form attached as Annexure C and executed by Methven, GWA Group and GWA NZ (dated 29 January 2019), pursuant to which:</p> <ul style="list-style-type: none"> • GWA NZ has undertaken in favour of each Scheme Shareholder to provide each Scheme Shareholder with the Scheme Consideration to which they are entitled under the Scheme, subject to the Scheme becoming effective; and • GWA Group has undertaken in favour of each Scheme Shareholder to guarantee the performance of the obligations of GWA NZ described above
Director	means a member of the Methven Board
End Date	means 14 June 2019. However, either GWA Group or Methven may extend the End Date to 14 September 2019 if the OIO Condition has not been satisfied by 14 June 2019 but that party considers that the OIO Condition is capable of satisfaction by 14 September 2019. Methven and GWA Group can otherwise mutually agree a different date to be the End Date

Excluded Event	<p>means any event or change in circumstances:</p> <ul style="list-style-type: none"> • resulting from the exercise by any party of its rights, or the discharge by any party of its obligations, under the Scheme Implementation Agreement (other than Methven's obligations under clauses 9.2(a) and 9.2(e) and rights under clauses 9.2 and 9.3 of the Scheme Implementation Agreement); • resulting from any change in interest rates, exchange rates, general economic, financial, regulatory, legal or political conditions or requirements generally affecting businesses in the industry in which Methven and its Related Companies operate or the markets in which Methven and its Related Companies operate or trade which do not disproportionately adversely affect the business of Methven and its Related Companies compared with other businesses which operate in that industry; • fairly disclosed to NZX during the period commencing on 1 January 2017 and ending on 13 December 2018 or to GWA Group in the due diligence materials; • arising from an action, omission, event, change, matter, or circumstance previously approved in writing by GWA Group, including any consequences reasonably foreseeable as a result of such matters; • resulting solely from the actual or anticipated change of control of Methven contemplated by the Scheme Implementation Agreement provided that the relevant agreement or arrangement was fairly disclosed in the due diligence material; • resulting from changes in generally accepted accounting principles; • resulting from a widespread change in the interpretation of generally accepted accounting principles (including IFRS 9 and IFRS 15); or • resulting from the implementation of IFRS 9 and IFRS 15
Final Court Hearing	means the final hearing of the High Court in respect of the Scheme, which is expected to take place at 10.00am on 27 March 2019 or such later date as the High Court directs
Final Court Orders	means the final orders of the High Court in respect of the Scheme made under section 236(1) (and section 237, if applicable) of the Companies Act
Final Orders Date	means the date on which Final Court Orders are granted by the High Court
Government Agency	means any government, any department, officer or minister of any government, and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity and any court
GWA	means GWA Group and GWA NZ collectively, or either of them as the context requires
GWA Group	means GWA Group Limited
GWA Information	means the information relating to GWA as set out in section 7 of this Scheme Booklet and the answer to the question "Who is the GWA Group" in section 4 of this Scheme Booklet
GWA NZ	means GWAIL (NZ) Limited, an indirectly wholly-owned subsidiary of GWA Group
Independent Adviser	means Grant Samuel & Associates Limited
Independent Adviser's Report	means the report prepared by the Independent Adviser in respect of the Scheme and its terms, attached to the Scheme Booklet as Annexure A

Independent Directors	means Alison Barrass, Antony (Tony) Balfour, Shelley Cave, Richard Cutfield, and Steven (Steve) Tucker, all of whom are determined to be independent for the purposes of the Listing Rules
Initial Court Orders	means the initial court orders of the High Court relating to the Scheme dated 7 February 2019
Link	means Link Market Services Limited, Methven's share registrar
Listing Rules	means the NZX Main Board Listing Rules
Material Adverse Change	<p>means any matter, event, condition or change in circumstances or thing which occurs, is discovered or is announced, and which is not an Excluded Event, (each a Specified Event), or related series of Specified Events, and which individually or in aggregate, reduces or is reasonably likely to reduce:</p> <ul style="list-style-type: none"> (i) the value of Methven's consolidated net assets by at least \$5 million; or (ii) the consolidated Net Profit After Tax of Methven in: <ul style="list-style-type: none"> » FY19 by at least \$1.1 million; or » FY20 by at least \$1.3 million, <p>against what it reasonably would have been expected to be but for the Specified Event or related series of Specified Events, but excluding the impact of any of the following on the consolidated Net Profit After Tax of Methven (and its Related Companies):</p> <ul style="list-style-type: none"> » transaction costs of an aggregate amount not exceeding the amount agreed in writing by GWA and Methven prior to the Scheme Implementation Agreement; » short term access with getting products of Methven (and its Related Companies) into any market arising from port disruptions, strikes or border closures inhibiting the free passage of goods; and » any decision by a customer of Methven (or its Related Companies) after the date of the Scheme Implementation Agreement to reduce the number of days of inventory of Methven products that it will stock
Methven	means Methven Limited
Methven Board	means the board of directors of Methven as constituted from time to time
Methven Prescribed Occurrence	means the list of events or circumstances relating to Methven that are set out in Schedule 1 of the Scheme Implementation Agreement as Prescribed Occurrences, including changes to Methven's capital structure or business, insolvency events and various other prescribed events
Methven Shares	means fully paid ordinary shares of Methven
NZX	means NZX Limited
NZX Main Board	means the main board equity security market operated by NZX
OIO Condition	means receipt by GWA of consent, under the Overseas Investment Act 2005, to the Scheme on terms acceptable to GWA acting reasonably
Register	means the share register of Methven

Related Company	means in relation to a company, has the meaning given to it in section 2(3) of the Companies Act 1993 read as if a reference to a “company” was a reference to any body corporate wherever incorporated
Scheme or Scheme of Arrangement	means a scheme of arrangement under Part 15 of the Companies Act under which all of the Methven Shares held by Scheme Shareholders will be transferred to GWA NZ and the Scheme Shareholders will be entitled to receive the Scheme Consideration, in accordance with the Scheme Plan attached as Annexure B, subject to any amendment or modification made pursuant to section 236 of the Companies Act
Scheme Booklet	means this document together with its annexures
Scheme Consideration	means a cash amount of \$1.60 per Methven Share, payable to Scheme Shareholders on the Scheme Implementation Date
Scheme Implementation Agreement	means the scheme implementation agreement between Methven and GWA Group dated 14 December 2018, a summary of which is set out in section 6.2, and a copy of which is available on https://www.methven.com/nz/corporate/investor-information/market-announcements-presentations/methven-and-gwa-enter-scheme
Scheme Implementation Date	means five Business Days after the Scheme Record Date
Scheme Record Date	means 5:00pm on the date which is five Business Days after the later of: <ul style="list-style-type: none"> • the Final Orders Date; and • the date on which the OIO Condition is satisfied; or such other date agreed between Methven and GWA Group in writing
Scheme Resolution	means the special resolution set out in the Notice of Meeting set out in section 5 of this Scheme Booklet
Scheme Shareholder	means each person who is registered in the Register as the holder of one or more Scheme Shares at the Scheme Record Date
Scheme Shares	means the Shares to be acquired by GWA NZ through this Scheme (excluding for clarity any Excluded Shares, as that term is defined in the Scheme Plan attached as Annexure B)
Senior Manager	means a member of Methven’s senior management team as identified in the Directory at the end of this Scheme Booklet
Shareholder	means each person registered in the Register as a holder of Methven Shares
Special Meeting	means the meeting of Shareholders ordered by the High Court to be convened in respect of the Scheme (and includes any adjournment of that meeting)

Superior Proposal	<p>means a written bona fide Competing Proposal which:</p> <ul style="list-style-type: none"> • does not breach the no shop, no talk, no due diligence or matching obligations that Methven owes GWA Group; and • the Methven Board determines, acting in good faith and after having received written advice from its external financial and legal advisers: <ul style="list-style-type: none"> (i) is reasonably capable of being completed, taking into account all aspects of the Competing Proposal (including its conditions, the identity, reputation and financial condition of the person making such proposal, legal, regulatory and financial matters, and any other matters the Methven Board considers relevant); and (ii) is more favourable to Shareholders than the Scheme, taking into account all the terms and conditions of the Competing Proposal and the Scheme, together with and any other matters the Methven Board considers relevant; and (iii) failing to attempt to advance such Competing Proposal would constitute a breach of the fiduciary or statutory duties, as a director of Methven, of any member of the Methven Board
Takeovers Code	means the Takeovers Code recorded in the Takeovers Regulations 2000, including any applicable exemption granted by the Takeovers Panel
Target Reimbursement Fee	means \$1.2 million plus GST (if applicable)
Voting Eligibility Date	means the time for determining eligibility to vote at the Special Meeting, being 5.00pm on Friday, 8 March 2019 or, if the Special Meeting is adjourned, being 5.00pm on the day which is two Business Days before the adjourned meeting time for the Special Meeting
Voting/Proxy Form	means the voting and proxy form which accompanies this Scheme Booklet

ANNEXURE A: INDEPENDENT ADVISER'S REPORT



INDEPENDENT REPORT IN RELATION TO THE PROPOSED SCHEME OF ARRANGEMENT WITH GWA GROUP LIMITED

Grant Samuel confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Grant Samuel has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

GRANT SAMUEL & ASSOCIATES LIMITED

JANUARY 2019

TABLE OF CONTENTS

1	Executive Summary	1
2	Terms of the Proposed Scheme	3
2.1	Background	3
2.2	Profile of GWA	3
3	Scope of the Report	4
3.1	Purpose of the Report	4
3.2	Basis of Evaluation	4
3.3	Approach to Valuation	5
4	Profile of Methven	6
4.1	Introduction	6
4.2	Industry	7
4.3	Geographical Segments	7
4.4	Group Operations	13
4.5	Strategy	13
4.6	Methven Financial Performance	15
4.7	Financial Position	16
4.8	Cash Flow	17
4.9	Capital Structure and Ownership	18
4.10	Share Price Performance	18
4.11	Valuation of Methven	20
4.12	Methodology	20
4.13	Summary	21
4.14	Earnings Multiple Analysis	23
5	Merits of the Proposed Scheme	28
5.1	The value of the Proposed Scheme	28
5.2	The timing and circumstances surrounding the Proposed Scheme	29
5.3	Possible outcomes of the Proposed Scheme	29
5.4	Factors affecting the outcome of the Proposed Scheme	30
5.5	Other merits of the Proposed Scheme	31
5.6	Consequences if the Proposed Scheme is rejected	32
5.7	Likelihood of alternative offers	33
5.8	Voting for or against the Proposed Scheme	34
▪	Appendix A - Qualifications, Declarations and Consents	35
▪	Appendix B – Comparable Transactions	38
▪	Appendix C – Comparable Companies	41
▪	Appendix D – Valuation Methodology Descriptions	46
▪	Appendix E – Interpretation of Multiples	49

GLOSSARY

TERM	DEFINITION
ASX	Australian Stock Exchange
Code	The Takeovers Code
Companies Act	Companies Act 1993
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FY15	Financial year ended 30 June 2015
FY16	Financial year ended 30 June 2016
FY17	Financial year ended 30 June 2017
FY18	Financial year ended 30 June 2018
FY19F	Forecast for the financial year ending 30 June 2019
Grant Samuel	Grant Samuel and Associates Limited
GWA	GWA Group Limited
Methven	Methven Limited
OIO	Overseas Investment Office
Proposed Scheme	The Proposed Scheme of Arrangement between Methven Limited and GWA Group Limited
SIA	Scheme Implementation Agreement

1 Executive Summary

On 14 December 2018, Methven Limited (**Methven**) announced that it had entered into a Scheme Implementation Agreement (**SIA**) with GWA Group Limited (**GWA**) to acquire 100% of the issued capital of Methven for a cash consideration of \$1.60 cash per share (the **Proposed Scheme**). Under the terms of the Proposed Scheme, Methven's shareholders may also receive a dividend of up to five cents per share, payable from the profits from the first half of the financial year ending 30 June 2019. If approval from the New Zealand Overseas Investment Office (**OIO**) is not obtained by 30 June 2019, Methven's shareholders may also receive an additional dividend of up to five cents per share, payable from the profits from the second half of the financial year ending 30 June 2019.

The Proposed Scheme is to be implemented through a scheme of arrangement under the Companies Act 1993 (**Companies Act**) between Methven and GWA and Methven's shareholders.

The Proposed Scheme is subject to several key conditions that are set out in the Scheme Booklet, including the approval of Methven shareholders.

Methven shareholders are being asked to vote to approve or reject the implementation of the Proposed Scheme. For the Proposed Scheme to be approved, more than 50% of the total number of voting securities in Methven must be voted in favour of the Scheme and a majority of at least 75% of the total votes cast in each interest class must be in favour of the resolution. Grant Samuel understands there is only one class of shares in respect to the Proposed Scheme.

If the shareholding voting thresholds are satisfied and the High Court approves the Proposed Scheme and the other conditions (including obtaining regulatory approvals) are satisfied, the Proposed Scheme will proceed and all the shares in Methven will be acquired.

The possible outcomes of the Proposed Scheme are:

- **The voting thresholds to approve the Proposed Scheme are achieved.**

If the voting thresholds to approve the Proposed Scheme are achieved and all other conditions are satisfied, the Proposed Scheme will be implemented. In that circumstance all shareholders in Methven will have their shares acquired at \$1.60 per share and Methven will be delisted;

- **The voting thresholds to approve the Proposed Scheme are not achieved.**

If the voting thresholds to approve the Proposed Scheme are not achieved, the Proposed Scheme will not proceed, and no shares will be acquired by GWA. Methven will remain a listed company and will have no further obligation to GWA. No break fees will be payable by either GWA or Methven unless the terms of the SIA have been breached or another event, such as the announcement and completion of a competing transaction within 15 months occurs; and

- **The voting thresholds to approve the Proposed Scheme are achieved and the conditions are not satisfied.**

If voting thresholds to approve the Proposed Scheme are achieved but the conditions are not satisfied, the Proposed Scheme will not proceed, and no shares will be acquired by GWA. Methven will remain a listed company and will have no further obligation to GWA. No break fees will be payable by Methven unless the terms of the SIA have been breached or another event, such as the announcement and completion of a competing transaction within 15 months occurs. GWA would pay Methven a reverse break fee of \$1.2 million if the condition requiring regulatory approvals is not satisfied (subject to limited exceptions).

The outcome of the shareholder vote on the Proposed Scheme is binary – either the voting thresholds are achieved in which case the Proposed Scheme will be effected in its entirety (provided all other conditions are satisfied), or the voting thresholds are not achieved in which case the Proposed Scheme will not be implemented.

When considering the options outlined above, Methven shareholders should also consider the following:

- the Proposed Scheme price of \$1.60 per share is at the upper end of Grant Samuel's assessed value range for Methven shares. In Grant Samuel's opinion the full underlying value of Methven shares is in the range of \$1.41 to \$1.60 per share. This value represents the value of 100% of the equity in Methven and therefore includes a premium for control;
- the Proposed Scheme price of \$1.60 per share represents a premium of 39% relative to the closing price of \$1.15 per share on 13 December 2018, being the last trading day prior to the announcement of the Proposed Scheme, and a premium of 38% over the 1 month volume weighted average share price (VWAP) prior to the announcement. The premium for control is above the average premium of control generally observed in successful takeovers of other listed companies¹;
- Lindsay Trust, the largest shareholder in Methven with a 19.9% holding, has entered into a voting commitment agreement to vote its entire shareholding in support of the Proposed Scheme subject to there being no superior proposal and the SIA not being terminated;
- since the date the Proposed Scheme was announced, no alternative takeover offers, or proposals have been forthcoming. Grant Samuel understands that Methven did not run a competitive process once it had received the approach from GWA and under the Proposed Scheme, Methven is not able to directly or indirectly solicit, invite, encourage or initiate any competing proposal (**GWA's Exclusivity**). Methven is able to address a competing proposal in the situation that if it did not, the Directors would be in breach of their fiduciary or statutory duties. Under the Proposed Scheme, GWA also has provisions to match any competing proposal. The restrictions imposed on Methven under the Proposed Scheme and the voting commitment from Lindsay Trust lowers the probability of Methven receiving a competing proposal;
- in the event a superior offer is received and GWA does not match the offer, subject to GWA's ability to require Methven to proceed, Methven may terminate the SIA, in which case it must pay a break fee to GWA of \$1.2 million;
- If the voting thresholds are not achieved, theoretically GWA could elect to increase the price it is prepared to pay for Methven. Any price increase would require a revised scheme of arrangement proposal. However, there is no certainty that a revised proposal would be tabled. Unless a revised proposal from GWA or a competing takeover offer from another party is made, in the short-term Methven's shares are likely to trade at levels below the Proposed Scheme price of \$1.60 per share; and
- voting for or against the Proposed Scheme is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

A detailed assessment of the merits of the Proposed Scheme is outlined in section 5 of this report. Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

¹ This premium is typically in the range 20-35%.

2 Terms of the Proposed Scheme

2.1 Background

On 14 December 2018, Methven announced that it had entered into a SIA with GWA to acquire 100% of the issued capital of Methven for a cash consideration of \$1.60 cash per share. Under the terms of the Proposed Scheme, Methven's shareholders are also entitled to a dividend of up to five cents per share, payable from the profits from the first half of the financial year ending 30 June 2019. If approval from the OIO is not obtained by 30 June 2019, Methven's shareholders will also be entitled to receive an additional dividend of up to five cents per share, payable from the profits from the second half of the financial year ending 30 June 2019.

The Proposed Scheme is to be implemented through a scheme of arrangement under the Companies Act between Methven, GWA, and Methven's shareholders and is subject to several key conditions that are set out in the Scheme Booklet, including:

- approval from OIO;
- Methven shareholder approval; and
- approval of the Proposed Scheme by the New Zealand High Court.

2.2 Profile of GWA

GWA is a one of Australia's largest suppliers of building fixtures and fittings to households and commercial premises and is Methven's largest competitor in Australia. It has sales and distribution facilities across Australia and a branch office in New Zealand. GWA's product range is distributed primarily under the *Caroma*, *Clark* and *Dorf* brands.

GWA is listed on the Australian Stock Exchange (**ASX**) with a market capitalisation of approximately A\$750 million². A summary of key financial information for GWA for the financial year ended 30 June 2017 and 2018 is outlined below:

GWA - KEY FINANCIAL INFORMATION (A\$ MILLIONS)

YEAR ENDED 30 JUNE	2017	2018
Total revenue from continuing operations	350.4	359.3
Normalised EBITDA from continuing operations	78.4	80.2
EBITDA margin %	22.4%	22.3%
Normalised EBIT from continuing operations	74.3	76.2
EBIT margin %	21.2%	21.2%
Net operating cash flow	57.2	39.2
Capital expenditure	(5.3)	(12.5)
Net operating assets	400.4	431.1
Net debt	(79.8)	(97.7)
Net assets	320.6	333.4

Source: GWA Annual Report for year ended 30 June 2018

² As at 18 January 2019.

3 Scope of the Report

3.1 Purpose of the Report

The Independent Directors of Methven have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Report in relation to the Proposed Scheme. Grant Samuel is independent of Methven and GWA and has no involvement with, or interest in, the outcome of the Proposed Scheme. The Proposed Scheme is governed by the Companies Act and is required to be approved by the High Court of New Zealand in order to proceed. The High Court will not approve a scheme that affects the voting rights of a company unless:

- it is satisfied that the shareholders of the company will not be adversely affected by the use of a scheme rather than the Takeovers Code (**Code**) to effect the change involving the Code company; or
- the Court is presented with a no-objection statement from the Panel. The Panel will state in writing that it has no objection to a scheme if an applicant satisfies the Panel that:
 - all material information relating to the scheme proposal has been disclosed;
 - the standard of disclosure to all shareholders has been equivalent to the standard that would be required by the Code in a Code-regulated transaction;
 - the interest classes of shareholders were adequately identified; and
 - other key matters have been addressed, and there are no other reasons for the Panel to object to the scheme.

Methven is a Code company under the Code. Although the provisions of the Code do not apply to schemes of arrangement once the final orders are issued by the High Court, the practice of the Takeovers Panel (which is responsible for administering and enforcing the Code) is to conduct a review to establish whether it considers appropriate information is placed before a Code company's shareholders when they are being asked to consider a proposed scheme of arrangement. Although there is no legal requirement under the Companies Act or the Code for an Independent Adviser's Report as a result of the Proposed Scheme, the practice of the Takeovers Panel (except in very limited circumstances) is to require the preparation of an Independent Adviser's Report similar to a Code Rule 21 report before it will consider issuing a final no-objection statement. Methven has requested that the Takeovers Panel issue a no-objection statement in relation to the Proposed Scheme to present to the High Court to assist with its deliberations.

Rule 21 of the Takeovers Code requires the Independent Adviser to report on *the merits of an offer*. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merit", the Panel has interpreted the word "merits" include both positives and negatives in respect of a transaction.

A copy of this report will accompany the Scheme Booklet and it will be sent to all Methven shareholders. This report is for the benefit of the shareholders of Methven. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Proposed Scheme. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix A.

3.2 Basis of Evaluation

Grant Samuel has evaluated the Proposed Scheme by reviewing the following factors:

- the terms of the Proposed Scheme;
- the potential impact of the Proposed Scheme on the ownership and control of Methven;
- the estimated value range of Methven and the price offered to Methven shareholders under the Proposed Scheme when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value for Methven shareholders;

- the likely market price and liquidity of Methven shares in the absence of the Proposed Scheme;
- any advantages or disadvantages for Methven shareholders of accepting or rejecting the Proposed Scheme;
- the current trading conditions for Methven;
- the timing and circumstances surrounding the Proposed Scheme; and
- the attractions and risks of Methven's business.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

3.3 Approach to Valuation

If the Proposed Scheme is approved by Methven's shareholders and, if all other conditions are satisfied, the Proposed Scheme is then implemented and 100% of the shares in Methven would be acquired by GWA.

The Proposed Scheme therefore is similar to a full takeover in that it represents a potential change of control event. Consistent with the valuation principles applied to the assessment of a full takeover offer, any value assessment should be of the full underlying value of the company, assuming 100% of the company was available to be acquired and therefore includes a premium for control.

4 Profile of Methven

4.1 Introduction

Methven is a designer, manufacturer and supplier of kitchen and bathroom products. It employs approximately 290 employees and has operations in New Zealand, Australia, the UK and China.

Methven's portfolio of products includes showerheads, faucets, hot water valves, sink mixers and taps. The company markets its products under the following brands:

- **Methven** – included under this brand are the *SatinJet*, *VJet* and *Aurajet* shower technologies that all reflect innovative technological designs to improve shower experiences, complimenting their tapware product offering that incorporates the Fastflow technology and more recently stainless steel tapware range. Methven has launched a range of collections under the Methven brand including Turoa, Waipori, Kaha, Aio, Rua and Futura;
- **Echo** – a specific New Zealand based product range developed to suit New Zealand conditions;
- **Nefa** – a range of safety and control valves for various plumbing installations;
- **Deva** – a range of shower and tapware products distributed in the UK;
- **Steriline** – bathroom products that serve hospital, laboratory and educational institutions; and
- **Flexispray** – a range of showers, tapware and accessories distributed predominantly in Australia.

A summary of the evolution of Methven is set out below:

COMPANY TIMELINE

1886	- Founded as an iron and brass foundry by George Methven in Dunedin, New Zealand.
1906	- Began manufacturing taps and copper laundry vessels.
1962	- UK based McKenzie Brothers Plc and Peglers Ltd (MCK) acquired Methven and merged another New Zealand based tapware manufacturer, HMC.
1998	- Private equity consortium acquired the MCK New Zealand business, which included roofing, insulation and plumbing businesses.
2001	- Backed by private equity, Methven senior managers acquired the New Zealand assets from MCK and that same year, Methven enters Australia supplying the domestic water valve market.
2003	- Acquired a 60% interest in the Australian showerware business Flexispray Pty Ltd (later renaming the company Methven Australia).
2004	- Listed on the New Zealand Stock Exchange (NZX) raising NZ\$36 million. - Acquired the 40% minority shareholding in Methven Australia.
2007	- Methven entered the UK market through the acquisition of Deva Tap Co Ltd. Deva was one of the UK's largest shower and tapware suppliers.
2011	- Methven brand launched into the UK market. - Launch of Waipori SatinJet showers and Waipori tapware.
2012	- Launch of Kaha SatinJet showers and Aroha tapware.
2014	- Acquisition of Chinese based manufacturer Invention Sanitary (later renamed Methven Heshan).
2015	- Global launch of Aurajet.
2018	- Methven launched VJet.

4.2 Industry

Methven operates primarily in the global shower and tap market. The key drivers for growth in the shower and tap market are the demand for efficient systems which use minimal amount of water and population growth which drives demand for new dwellings in the residential and commercial real estate sectors³.

The global market for taps and showerware is very competitive, but local manufacturers tend to have the largest share of their respective home markets. Local advantage in the tap and showerware markets is thought to be a reflection of the particular plumbing and regulatory environments in each country, differences in aesthetic tastes and trade support and service issues.

Tap, showerware and valving products are generally sold through specialist plumbing merchants and building hardware merchants. While the ultimate end customers for these products are generally home owners and property developers, the purchase decision is heavily influenced by installing plumbers and to a lesser degree, specifying architects and merchant sales staff.

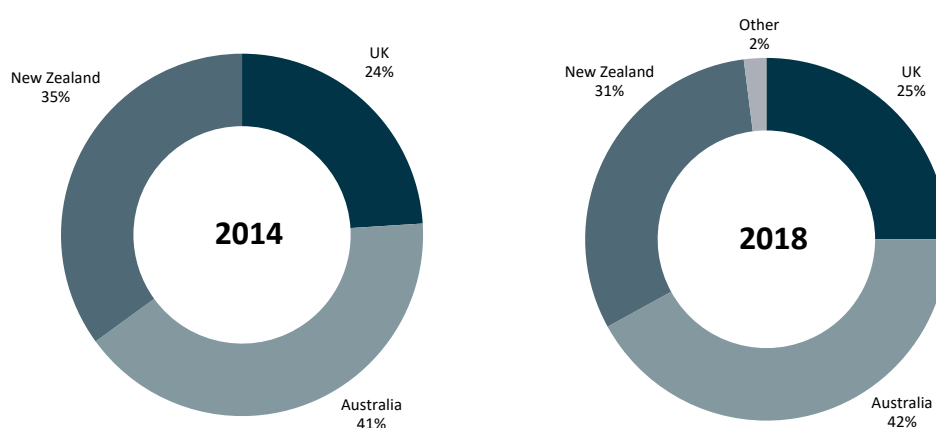
In Australia and New Zealand, the aggregation of major plumbing and building merchant chains has resulted in a small number of plumbing merchant brands holding significant market shares. In New Zealand plumbing merchant chains account for over 65% of the total category domestic sales. This degree of channel or customer concentration is consistent in New Zealand, Australia and the UK plumbing product markets. Competitiveness of the product offering and strength of brand is fundamental to gaining and maintaining merchant channel support.

Over the past five years, the internet distribution model has grown as a proportion of industry sales, however in recent years growth has slowed due to low margins being achieved and expensive to get cut through (approximately 10,000 taps are available to purchase on Amazon).

4.3 Geographical Segments

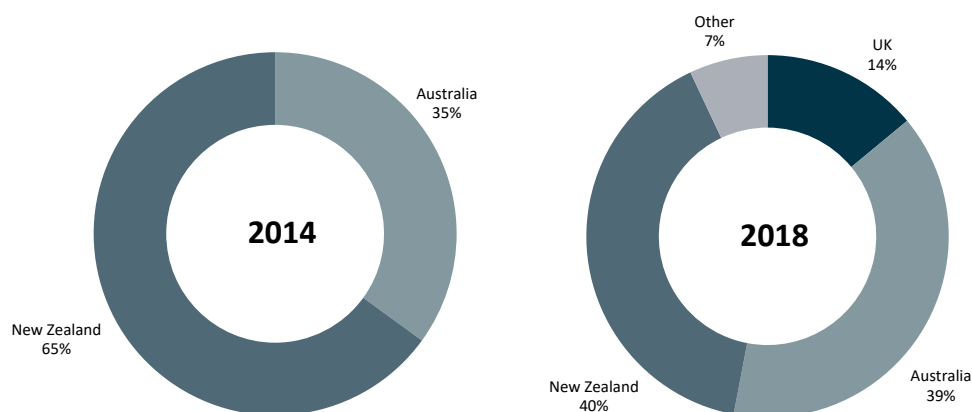
Methven expanded into Australia in 2001, the UK in 2007 and more recently China in 2017. The following graphs illustrate the change in the proportion of Methven's revenue and earnings generated by region over the last five financial years, most notably the improvement in the financial performance in the UK and expansion into new regions:

METHVEN REVENUE SHARE BY GEOGRAPHY (2014 V 2018)



³ TechSci Research - Global Sanitary Ware Market by Product Type April 2018.

METHVEN EBIT SHARE BY GEOGRAPHY (2014 V 2018)



4.3.1 New Zealand

The New Zealand market team includes sales, customer service and support, dispatch, marketing, finance and transaction services. The team operates from the head office in Auckland and a customer services office in Dunedin and is responsible for the New Zealand wholesale market which is worth approximately \$126 million⁴ and is growing at 3-4% per annum.

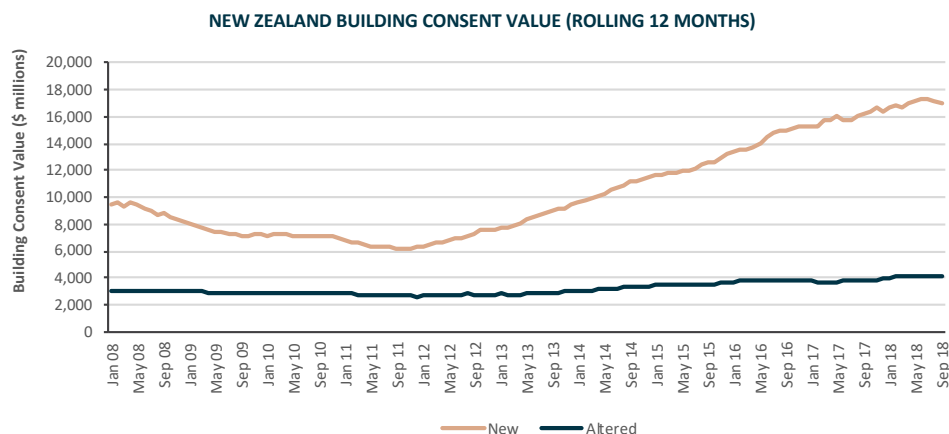
The market is highly fragmented and very competitive. Methven is the market leader in New Zealand with a market share above 30%⁴. The next largest competitors have approximately 8% and 7% market share respectively. There has been a proliferation of cheaper imported products due to New Zealand's limited regulatory requirements which has impacted Methven's revenue growth.

The primary drivers for demand in New Zealand are the renovation and maintenance market and new dwelling construction. Renovation and maintenance represent approximately 86 to 88% of the total market, with purchases for new house builds representing a relatively small proportion of approximately 12%. The renovation market is less sensitive to changes in the economy which provides a degree of consistency to Methven's New Zealand revenue.

As illustrated in the graph below, the current demand for new building construction is at unprecedented levels, largely due to Auckland's housing deficit, which is not improving as the construction sector struggles to keep pace with New Zealand's growing population. The size and value of the renovation and alterations building consent market is relatively consistent year on year and is less sensitive to economic cycles. Over the last ten years the renovation and alterations market has achieved a compound average growth rate (CAGR) of approximately 3% per annum⁵.

⁴ Methven's management based on its industry intelligence.

⁵ Whilst building consent numbers provide a guide to the size of new dwelling and renovation and alterations markets, not all renovations include bathrooms or kitchens. However, a significant proportion of renovation work (particularly bathroom renovation) is not subject to permit applications, and therefore not reported in government statistics.



The financial performance of New Zealand operations for the years ended 30 June 2017 (**FY17**) and 2018 (**FY18**) is summarised below:

NEW ZEALAND FINANCIAL PERFORMANCE (NZ\$ MILLIONS)

YEAR END 31 MARCH	FY17A	FY18A
Sales revenue	34.9	32.4
EBIT	4.2	4.3
EBIT %	12.0%	13.3%

- In FY18, New Zealand revenue declined by 7.2% due to tapware underperformance and demand normalising in the Canterbury region. Despite the decline in revenue, New Zealand achieved a small level of EBIT growth due to Fit 4 the Future (**F4TF**) efficiency initiatives (see section 4.5 for details), which led to a reduction in expenditure of \$0.8 million.

4.3.2 Australia

Australian operations include sales, marketing, customer service, warehousing and dispatch, IT, sourcing and finance. The team operates from premises in Collingwood, Melbourne and a warehouse in Campbellfield, Melbourne. Third party logistics providers are used outside of Victoria. The Australian operations team is responsible for the Australian shower and tap market which is worth approximately NZ\$700 million⁶.

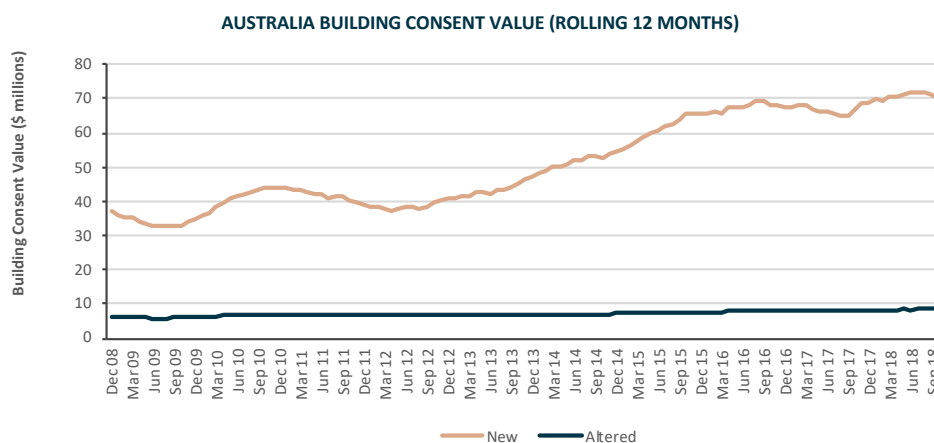
In Australia GWA is the market leader with approximately 12% market share and Methven is one of its key competitors with approximately 7% market share.

Due to its dry climate, the Australian shower and tap market is particularly sensitive to water conservation which provides an opportunity for Methven to leverage its intellectual property which is designed to minimise water usage while delivering a premium showering experience.

The Australian building consent trends since 2012 have been broadly consistent with New Zealand, with new building consents reaching unprecedented levels over the last 12 months while the alteration consents have been growing consistently at a CAGR of approximately 3.7%. Approximately 85 – 90% of Australian sales are for the renovation or house maintenance market renovation market which is less sensitive to changes in the economy and provides a degree of consistency to Methven's Australian revenue. The total construction industry is forecast to increase by 2.4% per annum through to 2024⁷.

⁶ GWA Estimates 2018.

⁷ IBIS 2018 Construction in Australia.



Source: Australian Bureau of Statistics

The financial performance of Australian operations for FY17 and FY18 is summarised below:

AUSTRALIAN FINANCIAL PERFORMANCE (A\$ MILLIONS)

YEAR END 31 MARCH	FY17A	FY18A
Sales revenue	39.0	40.4
EBIT	2.9	3.9
EBIT %	7.5%	9.6%

- In FY18 Australia achieved revenue growth of 3.7% and Methven-branded sales increased by 12.7%. Revenue growth in the second half of the financial year was impacted by delayed product launches; and
- Earnings increased by approximately 34% in FY18 due to revenue growth and operating leverage improving EBIT margins.

4.3.3 UK

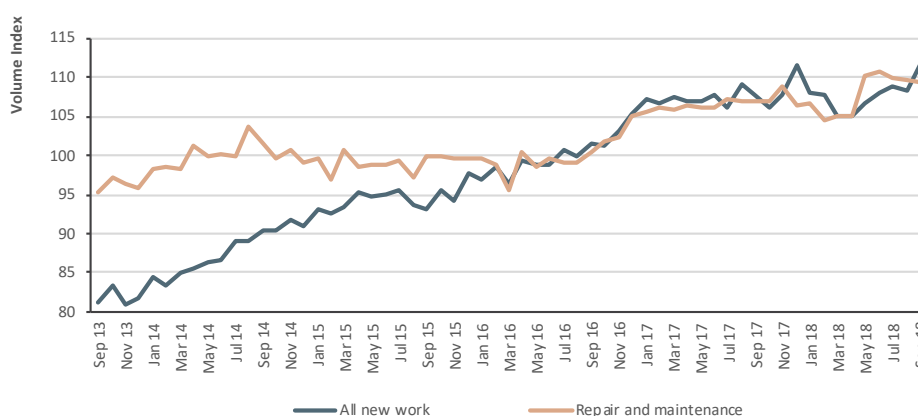
The UK operations includes sales, marketing, warehousing and dispatch, IT, sourcing and finance. The UK operations supply products into the UK, US, European Union and the Middle East. The team operates from premises in Warrington and a warehouse in Leigh (both located between Manchester and Liverpool). The UK operations team is responsible for the UK shower and tap market which is worth approximately NZ\$845 million⁸ and is growing at approximately 2 to 4% per annum.

The tapware market is worth approximately NZ\$650 million. Masco is the market leader with approximately 20% market share with Pegler Yorkshire, Ideal Standard and Kingfisher each with market shares of between 4 to 8%. In 2017, Methven grew its market share to 2.7%, up from 2.6% in 2016.

The shower market is worth approximately NZ\$190 million. Kohler is the market leader with approximately 22% market share. Masco, Triton, Aqualisa and Grohe account for the majority share. In 2017, Methven grew its market share to 2.4%, up from 1.8% in 2016.

Since the start of 2018, construction output⁹ has continued to grow in the UK. In September 2018, the construction output was at monthly records since 2010 (when the measurement began). This new record high was 28.4% above this lowest point over the last five years.

UK BUILDING CONSENT VOLUMES (SEASONALLY ADJUSTED)



Source: Office of National Statistics UK

Despite the recent growth in construction activity, the outlook for the UK shower and tapware market is stable with an estimated 1.5% to 2.0% growth per annum through to 2021¹⁰.

The financial performance of UK operations for FY17 and FY18 is summarised below

UK FINANCIAL PERFORMANCE (£ MILLIONS)

YEAR END 31 MARCH	FY17A	FY18A
Sales revenue	13.0	14.1
EBIT	0.6	0.8
EBIT %	4.5%	5.4%

⁸ BRG – The European Bathroom & Kitchen Products Market Report 2018.

⁹ Output is defined as the amount charged by construction companies to customers for the value of work (produced during the reporting period) excluding VAT and payments to sub-contractors.

¹⁰ BRG – The European Bathroom & Kitchen Products Market Report 2018.

- In FY18 the UK achieved strong revenue and EBIT growth of approximately 8.9% and 31.0% respectively. The revenue growth in the UK was achieved, despite the impact of Homebase DIY stores' trading difficulties; and
- Methven-branded sales increased by 37% and the company achieved 4.6% market share growth in the tapware segment.

4.3.4 China

Methven entered the Chinese market in 2017. The market represents a long term growth opportunity. The China market team are responsible for sales, customer service and marketing and operate out of Methven's factory in Guangdong.

Methven's brand has been positioned as an affordable premium brand in China. Methven has conservatively estimated that China sales will grow at a CAGR of 30% over the next ten years and by 2029, China will contribute revenue and EBIT of approximately \$37 million and \$7.3 million respectively.

Methven's growth aspirations in China over the next three to five years are supported by a strong pipeline of large scale commercial property developments and through a strategic partnership with Jiangsu RuiZhiShang Building Materials Company (**RuiZhiShang**). Methven's management believe that the RuiZhiShang partnership could deliver revenue of approximately \$8.5 million to \$10.5 million per annum by FY21. Methven's commercial model in China is relatively low risk as it leverages the production capacity that it has available, and it has minimised credit risk with its distributors through preferential payment terms.

Using the low risk commercial model that has been implemented in China, Methven has recently established a presence in Vietnam, Singapore and Malaysia and it has plans in place to distribute its products into other large Asian economies such as Thailand.

The financial performance of the China operations for FY17 and FY18 is summarised below

CHINA FINANCIAL PERFORMANCE (NZ\$ MILLIONS)

YEAR END 31 MARCH	FY17A	FY18A
Sales revenue	0.2	1.4
EBIT	(0.3)	0.2
EBIT %	(166.3%)	13.7%

- Over the last 18 months China sales have accelerated due to an increase in retail stores (currently 54 stores, increasing to 80 stores by the end of FY19) and the delivery of some large commercial projects. Methven is targeting to have over 200 stores by the end of FY21; and
- China achieved revenues of NZ\$1.4 million in FY18 and EBIT of \$0.2 million.

4.4 Group Operations

Group Operations operates from the Auckland head office and the Guangdong factory and provides:

- supply chain services with products sourced on behalf of the other regions;
- research and development (R&D) leading to new design, technology and intellectual property;
- marketing and brand development activity;
- manufacturing operations in New Zealand;
- manufacturing operations in China; and
- strategic and management support, IT and corporate services, including Group CEO, Finance and Governance.

The Auckland factory produces products incorporating key shower technologies and is a key supplier to the New Zealand market. Capabilities include toolmaking, casting, plastics manufacture, machining, polishing, assembly and the capability to apply different colour finishes to their products (from 2019). The factory is also used by the R&D team for product development.

The Guangdong factory primarily produces tapware for the New Zealand and Australian markets. Capabilities include casting, machining, polishing and assembly.

Both factories are operating at approximately 40% utilisation and this provides a platform that will deliver the forecast revenue growth in the existing and new markets. The excess capacity offers further opportunity for Methven including scope to bring in house production that is currently outsourced.

4.5 Strategy

Methven's four strategic pillars are described below:

4.5.1 World-class consumer-centric product innovation

Methven owns three of six global patents in shower technologies that are widely recognised in the industry and it has a reputation for designing innovative showering technologies. Its products have won a number of prestigious international awards. A core focus of Methven's product design is to reduce water usage while delivering a luxurious showering experience:

METHVEN PRODUCT PORTFOLIO AND INTELLECTUAL PROPERTY

Showering	Methven's showering portfolio includes its award winning and patented design AuraJet™ (AIO) technology, a range of wall showers, standalone hand showers, fixed overhead showers and showers with an adjustable height wall rail. The company also manufactures shower mixers, diverters and taps.
Faucets	Methven's product range includes high quality sink and basin mixers, bath and sink sets, spouts, sink, bath and washing machine taps, and hose taps.
Technology	<ul style="list-style-type: none"> ▪ VJet™ - allows users to activate a seamless spray transition - from a firm to gentle. VJet was launched in 2018 in New Zealand and Australia and in the last 12 months it has won three prestigious awards. ▪ AuraJet - a full bodied spray with maximum body contact delivered via a unique halo-shaped showerhead. Launched in 2015, this product has been a catalyst for securing new distribution in international markets. The range of AIO products was extended in 2017 and further product extensions are anticipated. ▪ SatinJet® - a shower experience that uses colliding twin jets of water and is optimal for low and unequal pressure. Launched in 2004, seven Methven shower ranges incorporate the SatinJet technology. The SatinJet product range was refreshed and is launching through New Zealand and Australia through 2018. ▪ Fastflow® - technology that controls the hot and cold mix in the shower to maintain a constant flow and temperature, even with unequal water pressure. ▪ Methven is launching a new tapware product platform in 2019.

4.5.2 Sustained international revenue growth and earnings transformation

Methven is focused on leveraging its intellectual property to grow into new international markets by:

- leveraging the low risk commercial model that has been implemented in China to grow revenues throughout Asia including Vietnam, Singapore, Malaysia and Thailand; and
- using digital channels and a disruptive distribution model to grow in the US and Canada. Methven has recently established some distribution capability in the US via a Californian based distributor that sells into Home Depot and through direct online channels such as Amazon and Kickstarter. The US is a large market opportunity for Methven although in the short term the main focus is Asia.

4.5.3 Unrelenting focus on simplification, cost and efficiency

Methven is focused on the simplification of its operations to make it more responsive to customer and consumer needs. In 2017, Methven initiated its F4TF business transformation plan focused on:

- streamlining market teams;
- manufacturing consolidation driving margin improvement; and
- simplified processes and integrated systems driving operational efficiency.

By the end of FY19, F4TF's target is to create annualised impacts for:

- a 3% improvement in gross margin;
- a 10% reduction in fixed costs; and
- decrease sales required to breakeven by \$ 1 million per month.

In FY18, Methven broadly achieved its F4TF targets by delivering an earnings benefit of approximately \$0.8 million (\$1.6 million on an annualised basis). This benefit was offset by the one off cost associated with executing the initiatives. As at 31 December 2018, Methven is on track to achieve the F4TF targets.

4.5.4 Revolutionary digital manufacturing in NZ disrupting global industry

Methven is focused on executing a disruptive manufacturing strategy that will deliver a competitive advantage through innovative and competitively priced products, along with a more efficient and sustainable supply chain. An example of this is the manufacturing capability that will allow Methven to apply different colour finishes to its products in 2019 which is expected to capture a share of the growing alternate finishes market and will enable the servicing of New Zealand and Australian customers with short lead times for a wide range of finishes.

The company has also embarked upon a number of initiatives that will drive the business to become a digital manufacturer. These initiatives are being driven by the reduction in cost and improvement in the capability of 3D printing technology. Digital manufacturing will enable Methven to be more agile in its product development, to quickly adapt to changing consumer needs and digitally manufacture products closer to market. Management believe that 3D printing technology could cause significant disruption to the global industry and Methven is positioning itself to take advantage of this trend.

4.6 Methven Financial Performance

The historical financial performance of Methven for FY17, FY18 and FY19F is summarised below:

METHVEN FINANCIAL PERFORMANCE (NZ\$ MILLIONS)

YEAR END 30 JUNE	FY17A	FY18A	FY19F
Australasia	76.0	76.3	81.9
UK	23.1	26.7	29.6
Asia and group operations	0.9	2.1	4.0
Total sales revenue	100.1	105.1	115.5
Sales growth	-5.4%	5.1%	9.9%
Cost of sales	(55.9)	(60.2)	(65.2)
Gross margin	44.1	44.9	50.3
Gross margin %	44.1%	42.8%	43.5%
Research, design and engineering	(1.7)	(1.5)	(2.2)
Sales, distribution, marketing and brand development	(21.1)	(20.5)	(23.0)
Administration and other expenses	(8.9)	(9.0)	(10.6)
Operating expenses	(31.7)	(31.1)	(35.8)
EBITDA	12.4	13.9	14.5
Depreciation and amortisation	(3.5)	(3.2)	(3.4)
EBIT	8.9	10.7	11.1
EBIT %	8.9%	10.1%	9.6%

Source: Methven Management Accounts, Draft Management accounts for December 2018 and Management Forecast

- Since FY13, Methven has achieved a revenue CAGR of 2.7% on a constant currency basis;
- Methven's revenue grew by 5.1% in FY18, a 2.4% increase on a constant currency basis. The revenue growth was driven by international markets which contributed revenue growth of 11.6%;
- Methven's EBITDA margin improved in FY18 due to growth in international markets leading to an improvement in operating leverage;
- Methven's earnings are sensitive to changes in exchange rates, primarily the translation of overseas earnings into NZD. In FY18 Methven achieved EBIT of \$10.7 million, a 20.4% increase on FY17 (up 17.3% on a constant currency basis);
- Research, design and engineering includes other income from Government Grants for research and development activity and international growth initiatives;
- In the first half of FY19, New Zealand sales were down by 3.3% and Australian sales were down by 1.8% relative to the first half of FY18¹¹. Methven has forecast Australasian revenue to increase by \$5.6 million in FY19 to \$81.9 million. This growth is supported by the sales momentum in the second quarter of FY19, the strongest ever range of new products launching in March and May and the impact of new contracted product ranges into two major customers in Australia;
- In the first half of FY19, Methven's UK sales were up by 11.5% relative to the first half of FY18 due to new contract wins and continued improvement in the proportion of Methven products sold in the UK;
- Methven has a relatively low market share in the UK with 2.6%, but it has strong brand recognition in the premium showerheads segment and its product range is used in some of the most prestigious hotels in London. Given the size of the UK market, a strong year to date performance and the export opportunities from the UK into Europe and the US, management are expecting consistent revenue growth from the UK operations. Methven has forecast FY19 UK revenue to increase by £1.5 million (up 10.7%);

¹¹ The year to date numbers are based on the draft management accounts to 31 December 2018.

- In the first half of FY19F, China achieved revenues of NZ\$1.5 million, up over 200% relative to the first half of FY18. Revenue is forecast to increase to \$3.2 million in FY19 due to expansion of the retail footprint and revenues from new projects such as hotel developments; and
- The forecasts for FY19 are based on actual results to 31 December 2018 plus a forecast for the six months to June 2019. Methven's EBIT is forecast to increase to \$11.1 million largely due to forecast revenue growth and a slight improvement in gross margins %.

4.7 Financial Position

The financial position of Methven as at 30 June 2017 and 2018 and 31 December 2018 is summarised below:

METHVEN - FINANCIAL POSITION (NZ\$ MILLIONS)

AS AT	30 JUNE 2017	30 JUNE 2018	31 DECEMBER 2018
Trade receivables	16.3	16.7	14.5
Inventories	23.3	26.6	28.2
Trade creditors	(8.9)	(13.5)	(10.7)
Employee accruals	(2.5)	(2.5)	(2.5)
Other working capital items	(2.9)	(2.8)	(3.0)
Net working capital	25.2	24.5	26.5
Property, plant & equipment	9.4	9.2	9.9
Intangible assets	36.9	39.5	38.9
Deferred tax asset and other	1.7	1.2	2.2
Net operating assets	73.3	74.4	77.6
Net debt	(27.1)	(22.6)	(27.7)
Net assets	46.2	51.8	49.8
Gearing ¹²	37.0%	30.4%	35.7%

Source: Methven Financial Statements, Draft Management accounts for December 2018

- Gearing reduced from 37.0% as at 30 June 2017 to 30.4% as at 30 June 2018. The improvement is largely due to improved working capital and operating cash flows being applied to debt reduction;
- As at 30 June 2018, Methven was holding excess inventory due to delays in the launch of new products. As at 31 December 2018, Methven continued to hold excess inventory due to lower than expected sales in the first half of FY19. Based on the forecast revenue growth in the second half of FY19, Methven's management believe inventory will decrease back to normal levels by the end of June 2019;
- Included in intangible assets is \$37.0 million of goodwill relating to the various acquisitions the company has undertaken including the acquisition of Methven Heshan in 2014 and UK based Deva in 2007;
- The increase in intangible assets in FY18 is largely due to movement in foreign exchange (\$2.3 million) and capitalised internal software development costs (\$0.7 million);
- Methven is focused on SKU reduction and SKU efficiency through product design. These initiatives are forecast to reduce working capital from FY19. The reduction is forecast to be delivered across FY20 and FY21; and
- Other working capital items include, other creditors and accruals and provisions for warranty claims for products which are still under warranty at balance date.

¹² Gearing is net borrowings divided by net operating assets.

4.8 Cash Flow

Methven's cash flow from FY17 to FY18 is summarised below:

METHVEN CASH FLOW (NZ\$ MILLIONS)

YEAR END 30 JUNE	2017A	2018A
EBITDA	12.4	13.9
Movement in working capital	(5.7)	1.7
Tax	(2.1)	(1.6)
Interest	(1.3)	(1.2)
Net operating cash flow	3.3	12.7
Net purchase of fixed & intangible assets	(2.6)	(3.0)
Net investing cash flow	(2.6)	(3.0)
Net proceeds from share issue	0.2	-
Net drawdown/(repayment) of borrowings	6.7	(3.1)
Dividends paid	(6.1)	(5.0)
Net financing cash flow	0.8	(8.1)
Net cash flow	1.5	1.7

Source: Methven Financial Statements

- In FY17, Methven raised \$0.2 million by issuing shares under a discounted employee share purchase plan;
- Working capital declined by \$5.7 million in FY17, largely due to inventory that was built up for anticipated sales growth that was not achieved in this period;
- Dividends paid in FY18 declined due to the final dividend for FY17 declining by 1.5 cents per share (which was paid during FY18). The final dividend payment for FY18, which was paid on 28 September 2018, increased by 1.0 cents per share; and
- In FY17 and FY18 capital expenditure was slightly lower than depreciation and amortisation. In FY19 capital expenditure is forecast to increase to \$4.7 million which includes \$1.9 million on business maintenance, \$2.8 million on growth which includes the implementation of colour finish technology, new product investment (tooling costs), digital displays, digital manufacturing and fit-for-the-future projects. Methven has estimated that capital expenditure in FY20 will be between \$3.5 million and \$4.8 million due to investment in automation, digital manufacturing and innovation¹³. From FY20, Methven anticipate that capital expenditure will reduce back to historical levels.

¹³ New product development and launch of those products

4.9 Capital Structure and Ownership

Methven has 73,482,816 ordinary shares on issue. As at 11 January 2019 Methven had approximately 3,000 registered shareholders. The top 10 shareholders own approximately 50% of the ordinary shares on issue:

METHVEN - MAJOR SHAREHOLDERS AS AT 11 JANUARY 2019

	NUMBER OF SHARES (000S)	PERCENTAGE
Lindsay Investment Trust	14,618	19.9%
Salt Funds Management Limited	5,271	7.2%
HSBC Nominees (New Zealand) Limited	4,348	5.9%
FNZ Custodians Limited	3,577	4.9%
National Nominees Limited - Auckland Branch	2,347	3.2%
Accident Compensation Corporation	1,907	2.6%
Methven Employee Share Trustee Limited	1,632	2.2%
BNP Paribas Nominees (NZ) Limited	1,588	2.2%
David Banfield (CEO Scheme)	828	1.1%
PT Booster Investments Nominees Ltd	747	1.0%
Subtotal - Top 10 shareholders	36,863	50.2%
Other shareholders	36,619	49.8%
Total	73,483	100.0%

Source: NZX Research

Methven has two substantial shareholders:

- Lindsay Investment Trust (**Lindsay Trust**) holds 14,617,976 shares or 19.89%; and
- Salt Funds Management Limited (**Salt Funds**) holds 5,271,183 shares or 7.17%.

Methven Employee Share Trustee Limited holds shares on behalf of the participants in the various Methven employment share plans and David Banfield holds his shares as a participant in the CEO schemes (**Methven ESOP**).

4.10 Share Price Performance

4.10.1 Liquidity

The following table shows the volume of Methven shares traded in the 12 months prior to the announcement of entry into the SIA on 14 December 2018:

METHVEN - SHARE PRICE HISTORY TO 14 DECEMBER 2018

TIME PERIOD	LOW	HIGH	VWAP ¹⁴	VOLUME (000S)
1 month	\$1.12	\$1.19	\$1.16	417
3 months	\$1.04	\$1.20	\$1.17	3,443
6 months	\$1.00	\$1.20	\$1.15	13,634
12 months	\$1.00	\$1.20	\$1.10	22,456

Source: NZX Company Research

¹⁴ Volume weighted average share price (VWAP).

4.10.2 Share Price Performance

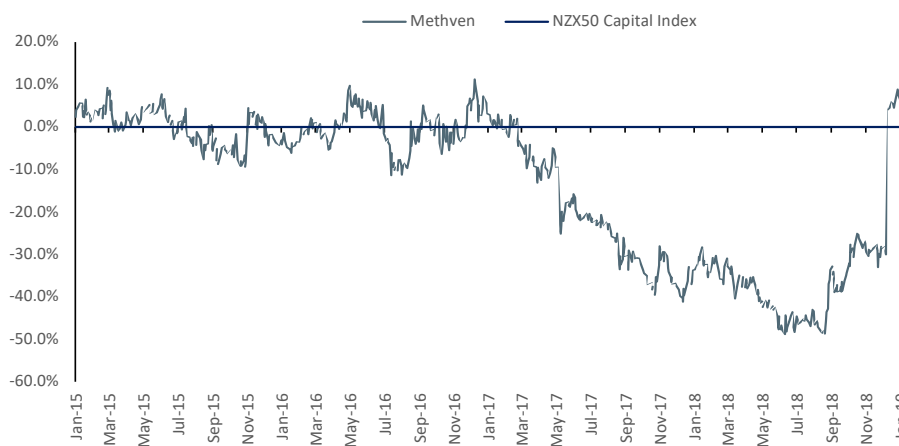
The share price and trading volume history of Methven shares is depicted below:

METHVEN SHARE PRICE PERFORMANCE SINCE THE BEGINNING OF 2015



Methven's share price has ranged between \$1.00 to \$1.40 since the beginning of 2015. The share price prior to the announcement of the GWA Scheme was \$1.15 per share. Methven's share price against the NZX50 Capital Index since the beginning of 2015 is shown in the graph below:

METHVEN SHARE PRICE PERFORMANCE VERSUS NZX50 CAPITAL INDEX



Methven has underperformed the NZX50 index in recent years, most notably since the beginning of 2017.

Since the release of the FY18 financial results on 29 August 2018 the share price has increased from \$1.04 to \$1.15. The positive movement in the share price is likely due to the market responding positively to the company achieving its earnings guidance, delivery on the F4TF programme and positive signs of growth in Asia.

4.11 Valuation of Methven

4.12 Methodology

4.12.1 Overview

Grant Samuel's valuation of Methven has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of Methven is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Methven could be expected to trade on the share market. Shares in a listed company normally trade at a discount of 15 – 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows (DCF);
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined in Appendix D.

4.12.2 Preferred approach

Grant Samuel has placed primary reliance on the capitalisation of earnings methodology in determining a value range for Methven. This is primarily due to the availability of quality information that can be analysed to determine an applicable multiple range. This information includes the earnings multiples implied from the prices of comparable transactions, IPO's and the sharemarket ratings of listed building product companies.

A discounted cash flow valuation is often used to cross check against the capitalisation of earnings methodology. Discounted cash flow analysis relies on a detailed forecast of future earnings and cash flows. The company does not prepare a long-term forecast, so this exercise has not been undertaken.

4.13 Summary

Grant Samuel has valued the equity in Methven in the range of \$103.6 – \$117.6 million, which corresponds to a value of \$1.41 to \$1.60 per share. The valuation is summarised below:

METHVEN - VALUATION SUMMARY (\$ MILLIONS)

	VALUE RANGE	
	LOW	HIGH
Enterprise value	132.3	146.3
Net debt for valuation purposes	(28.7)	(28.7)
Equity value	103.6	117.6
Fully diluted shares on issue (millions)	73.5	73.5
Value per share	\$1.41	\$1.60

The value includes a premium for control and exceeds the price at which, based on current market conditions, Grant Samuel would expect Methven shares to trade on the NZX in the absence of a takeover offer or proposal similar to the Proposed Scheme with GWA.

This valuation range is an overall judgement having regard to:

4.13.1 Earnings

Grant Samuel has adjusted the historical and forecast EBITDA and EBIT as summarised below:

METHVEN – EARNINGS FOR VALUATION (\$MILLIONS)

YEAR END 30 JUNE	2018A	2019F
Revenue	105.1	115.5
Reported and forecast EBITDA	13.9	14.5
Corporate costs associated with NZX listing and Board of Directors	0.5	0.5
Fit for the Future costs and benefits	1.7	0.8
Commissions restructure	0.3	0.3
Normalised warranty costs	0.3	0.3
Transaction costs	-	0.7
IFRS adjustments	-	0.2
Legal claim, costs recovery and tax related costs	(0.1)	-
EBITDA for valuation	16.6	17.3
Depreciation and Amortisation	(3.2)	(3.4)
EBIT for valuation	13.4	13.9

- Revenue is forecast to increase by 10% in FY19 due to strong international sales and volume growth in Australia, the UK and China. New Zealand is also forecast to grow in FY19 largely due to an improvement in market share from new products, including a new tapware technology and alternative finish products;
- The earnings have been adjusted to exclude \$0.5 million of costs associated with being listed on the NZX on the basis that any buyer of 100% of Methven would not incur these costs as the company would be delisted;
- In 2017, Methven initiated its F4TF business transformation plan focused on:
 - streamlining market teams;
 - manufacturing consolidation driving margin improvement; and
 - simplified processes and integrated systems driving operational efficiency.

The earnings in FY18 and FY19 have been adjusted to exclude the costs associated with executing the plan and to include a proportion of annualised benefits included in the plan in the current financial year;

- In FY18, Methven began to negotiate a revised commission structure with a distributor. These negotiations are well advanced. Management has estimated the revised structure will lead to an annualised benefit of approximately \$250,000;
- In FY17 and FY18, Methven had a warranty issue in Australia and New Zealand relating to a faulty cartridge supplied by an OEM. The earnings for valuation purposes has been adjusted to exclude the abnormal warranty costs;
- In FY18, Methven incurred legal costs, net of legal cost recoveries, and tax related costs. The earnings for valuation purposes has been adjusted to exclude these items;
- In the first half of FY19, Methven has incurred \$0.7 million in costs related to the Proposed Scheme and there was an adjustment to align the financial accounts with the latest international financial reporting standards (IFRS) changes. These costs are non operating costs and have been excluded from EBITDA for valuation; and
- The FY19 forecast assumes an average exchange rate of NZD:UK \$0.53, NZD:AUD \$0.94 and NZD:RMB 4.6 which is relatively consistent with the exchange rates applied to translate overseas earnings in FY18 and the average foreign exchange rates over the last six months.

4.13.2 Net debt for valuation purposes

Grant Samuel has adopted net debt for valuation purposes of \$28.7 million as summarised below:

METHVEN – NET DEBT FOR VALUATION PURPOSES

	NZ\$ MILLION
Forecast net debt as at 31 March 2019 before dividend payments	(29.4)
Dividend payment	(3.7)
Working capital adjustment	3.3
ESOP shares	1.1
Net debt for valuation purposes	(28.7)

- The forecast net debt as at 31 March 2019 has been used as this is the last balance sheet before the expected settlement date of the Proposed Scheme;
- Under the terms of the Proposed Scheme, Methven's shareholders may also receive a dividend that is declared by the company of not more than five cents per share from the profits for the six month period to 31 December 2018. The net debt has been adjusted to reflect the payment of this dividend;
- The forecast balance sheet as at 31 March 2019, includes a relatively high net working capital position in part due to Methven holding excess inventory due to delays in the launch of new products in Australia and New Zealand. The net debt has been adjusted to reflect the forecast high level of working capital as at 31 March 2019; and
- A condition of the Proposed Scheme is that Methven's various ESOPs are settled. There are approximately 2.5 million shares either held directly by Methven Employee Share Trustee Limited or directly by the employees. The shares held by ESOP participants have not been fully paid up and the loan from Methven to the ESOP participants is not recorded on the balance sheet. On settlement of the ESOPs, Methven will receive approximately \$1.1 million as repayment of the loan to fund the shares issued under the ESOPs.

4.14 Earnings Multiple Analysis

4.14.1 Implied multiples

Grant Samuel's valuation of Methven implies the following multiples:

METHVEN – IMPLIED VALUATION MULTIPLES

DATE	VARIABLE (\$ MILLION)	RANGE OF MULTIPLES	
		LOW	HIGH
Enterprise Value range (\$million)		132.3	146.3
Multiple of EBITDA (times)			
Year ended 30 June 2018	16.6	8.0	8.8
Adjusted forecast for year ending 30 June 2019	17.3	7.6	8.4
Multiple of EBIT (times)			
Year ended 30 June 2018	13.4	9.9	10.9
Adjusted forecast for year ending 30 June 2019	13.9	9.5	10.5

Grant Samuel has reviewed the implied multiples from the valuation range having regard to the implied multiples for comparable listed companies and transactions involving comparable companies or businesses in the sanitaryware sector and selected comparable listed companies in the Australian building product sector.

An explanation regarding interpreting the above multiples is included in Appendix E. The valuation implies historical FY18 EBIT multiples between 9.9 times and 10.9 times and forecast FY18 EBIT multiples between 9.5 times and 10.5 times. These implied multiples can be referenced to the implied multiples of the prices of comparable transactions and the multiples implied by the share prices of comparable companies.

Grant Samuel has primarily had regard to listed international companies operating in the sanitaryware sector. The size and scope of the operations, and the geographies served by these companies varies significantly. Of the listed comparable companies, with the exception of Methven, GWA is the only Australasian company operating primarily in the sanitaryware sector. It currently trades at a multiple of approximately 9.7 times forecast EBIT and approximately 9.1 times forecast EBITDA based on broker consensus. The average multiples across the 13 international sanitaryware companies analysed was 9.5 times forecast EBIT (and 7.7 times forecast EBITDA). The average multiples across the transaction evidence 8.0 times historical EBITDA and 12.4 times historical EBIT. However, the size of the targets varies significantly, and the sample of transaction evidence primarily includes targets that are significantly larger or smaller than Methven.

Grant Samuel has therefore been careful when in interpreting the multiple evidence from transactions. Overall, Grant Samuel believes that the multiples implied by its valuation of Methven is consistent with the transaction and sharemarket evidence after taking into account Methven's size and other factors.

Further commentary on the transaction and sharemarket evidence is outlined overleaf.

4.14.2 Transaction Evidence

The valuation of Methven has been considered having regard to the earnings multiples implied by the price at which broadly comparable companies and businesses have changed hands. A selection of recent transactions involving sanitaryware businesses is outlined below:

RECENT TRANSACTION EVIDENCE

DATE	TARGET	ACQUIRER	IMPLIED ENTERPRISE VALUE (NZ MILLIONS) ¹⁵	EBITDA MULTIPLE (TIMES)		EBIT MULTIPLE (TIMES)	
				HISTORIC	FORECAST	HISTORIC	FORECAST
INTERNATIONAL SANITARYWARE							
UK & EUROPE							
Nov 17	Hezibank	Hamat Group	40	4.8	n.a	n.a	n.a
Nov 17	Merlyn	Norcros	116	8.8	n.a	9.4	n.a
Apr 16	Abode Home	Norcros	10	5.5	n.a	n.a	n.a
Jun 15	Croydex	Norcros	42	6.5	n.a	n.a	n.a
Oct 14	Sanitec	Geberit	1,210	12.2	10.9	16.6	15.0
Sep 13	GROHE	LIXIL Corporation	5,040	11.0	10.3	14.0	n.a
Apr 13	Vedo	Norcros	27	6.4	n.a	n.a	n.a
Dec 12	Marazzi	Mohawk Industries	1,840	n.a	8.0	n.a	n.a
Mar 11	Novaservis	Ferro	96	7.4	n.a	n.a	n.a
THE AMERICAS							
May 17	Houzer Inc	Hamat Group	4	n.a	n.a	5.6	n.a
Mar 15	Norcraft	Fortune Brands	810	13.4	10.3	16.4	14.3
Jun 13	American Standard	LIXIL Corporation	670	n.a	13.0	n.a	n.a
Jun 12	Cecrisa	Vinci Capital	385	6.4	n.a	8.2	n.a
ASIA PACIFIC							
Dec 09	Sun Wave	JS Group	310	5.7	n.a	16.8	n.a
Average				8.0	10.5	12.4	14.7
Median				6.5	10.3	14.0	14.7

Source: Grant Samuel analysis¹⁶, Capital IQ
n.a means not available

Further details on these transactions are set out in Appendix B. When observing the table above the following points should be noted:

- Grant Samuel has grouped the transaction evidence based on the primary geographies served by the target companies. The size of the target companies varies significantly ranging from smaller bolt-on transactions to large international businesses;
- the transactions involving larger companies imply higher earnings multiples (typically 14 to 16 times EBIT and 10 to 12 times EBITDA), while the transactions involving smaller businesses imply lower earnings multiples (typically 5 to 7 times EBITDA and 8 to 9 times EBIT);
- Most of the transactions where implied multiples are calculable involve businesses based in the UK and Europe serving local markets. Of the ten transactions in this region, four have been completed by Norcros PLC (**Norcros**), which is headquartered in the UK serving UK and South Africa. Norcros' most

¹⁵ Implied enterprise values of transactions have been converted to NZ dollars using the spot exchange rate per xe.com on the date the transaction was announced.

¹⁶ Grant Samuel's analysis based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

recent transaction, announced in November 2017, was Merlyn Industries (**Merlyn**) for an enterprise value of £60 million. This transaction is broadly comparable in size to Methven. The purchase price implied multiples of 9.4 times historical EBIT and 8.8 times historical EBITDA. Merlyn is a specialist manufacturer of shower enclosures. Norcros' other acquisitions have ranged between 5.5 to 6.5 times EBITDA and ranged in size from enterprise values of £5 to £20 million;

- Of the other six transactions in UK and Europe, three were large businesses (Sanitec, GROHE and Marazzi). The implied multiples of forecast EBITDA for these transactions range between 8 to 11 times EBITDA and 14 to 15 times EBIT. The difference in EBITDA and EBIT multiples indicate that these businesses are relatively capital intensive, in which case EBIT is a more suitable earnings benchmark. Of the two other transactions, NOVASERVIS is a manufacturer of bathroom products in the Czech Republic acquired by Polish company FERRO S.A. The implied EBITDA multiple was 7.4 times. Hezibank is a manufacturer of bathroom tiles and transacted at 4.8 times historical EBITDA. This is a relatively small business compared to Methven; and
- For the other five transactions in The Americas and Asia Pacific regions, the size of the transactions varies significantly. The average EBIT multiple across these transactions is 9.4 times EBIT.

4.14.3 Sharemarket Evidence

The valuation of Methven has been considered in the context of the multiples implied by the share market prices of listed companies in the sanitaryware and building products sector.

SHAREMARKET RATINGS OF SELECTED LISTED COMPANIES¹⁷

ENTITY	MARKET CAP. (NZ\$ MILLIONS)	EBITDA MULTIPLE (TIMES) ¹⁸			EBIT MULTIPLE (TIMES) ¹⁹		
		HISTORIC	FORECAST YEAR 1	FORECAST YEAR 2	HISTORIC	FORECAST YEAR 1	FORECAST YEAR 2
Methven (pre-offer price) ²⁰	85	7.7	6.9	6.3	10.0	8.7	7.8
Methven (at scheme price)	118	10.1	9.0	8.2	13.1	10.2	9.4
INTERNATIONAL SANITARYWARE							
EUROPE & UK							
FERRO	104	7.2	n.a	n.a	7.7	n.a	n.a
Mattsson Mora	163	6.0	6.2	5.6	9.1	9.4	8.4
Hamat Group	127	7.8	n.a	n.a	10.5	n.a	n.a
Norcros PLC	293	6.7	5.0	4.8	7.6	6.0	5.7
Svedbergs	82	10.0	n.a	n.a	11.9	n.a	n.a
Uponor	1,195	6.9	6.9	7.1	9.7	9.4	10.3
Villeroy & Boch	603	5.1	5.0	4.7	7.9	7.4	6.9
Average – Europe & UK		7.1	5.8	5.6	9.2	8.0	7.8
NORTH AMERICA							
Fortune Brands	9,012	9.6	9.4	8.7	11.3	11.3	10.2
Masco Corporation	14,568	9.6	8.9	8.4	10.6	10.1	9.5
ASIA PACIFIC							
GWA Group	795	8.3	9.1	8.8	8.8	9.7	9.4
LIXIL Group	5,893	7.2	10.0	8.7	13.0	27.1*	20.0*
Takara Standard	1,728	4.0	n.a	n.a	5.8	n.a	n.a
Toto	9,587	8.4	9.1	8.0	11.9	12.9	11.4
Average – Asia Pacific		7.0	9.4	8.5	9.9	11.3	10.4
Average – Sanitaryware		7.4	7.7	7.2	9.7	9.5	9.0
SELECTED AUSTRALASIAN BUILDING PRODUCT COMPANIES²¹							
Adelaide Brighton	3,165	9.2	9.6	9.2	11.8	12.6	11.9
CSR	1,577	3.9	4.4	5.1	4.9	5.8	6.8
Dulux Group	2,725	11.5	10.9	10.5	13.2	12.7	12.3
Reece	5,861	n.m.	9.5	9.1	n.m.	12.7	10.6
Steel & Tube	193	n.m.	9.0	8.4	n.m.	12.1	11.0
Average – Building Products		8.2	8.7	8.5	10.0	11.2	10.5
Average – All		7.6	8.1	7.6	9.7	10.1	9.6

Source: Grant Samuel analysis. n.m. means not meaningful, Capital IQ, * denotes outliers

¹⁷ The companies selected have a variety of year ends. The financial information presented in the historic column corresponds to the most recent actual annual result. The forecast column corresponds to the forecast for the subsequent year.

¹⁸ Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

¹⁹ Represents gross capitalisation divided by EBIT.

²⁰ Methven's forecast earnings are based on broker consensus and net debt as at 30 June 2018.

²¹ Metro Performance Glass Limited was excluded as broker forecasts have not been updated following recent material changes in the competitive landscape. Fletcher Building, Cavalier Corporation and Boral were considered not meaningful for comparison.

A description of each of the companies above is set out in Appendix C. When observing the table above the following points should be noted:

- Grant Samuel has identified 13 listed companies operating in the sanitaryware sector. Similar to the transaction evidence, the majority (seven) are business based in the UK, Europe and Scandinavia, primarily serving local markets. The average multiples for these companies are 5.8 times forecast EBITDA and 8.0 times forecast EBIT (based on broker consensus). The EBITDA multiple ranges for these companies is relatively tight ranging from 5-7 times forecast EBITDA.
- The two North American companies are significantly larger than Methven and their listed counterparts in Europe and the UK. Both are trading at higher multiples close to 9 times forecast EBITDA;
- In the Asia Pacific region, GWA is trading at multiples that is broadly in line with the US companies (at 9.1 times forecast EBITDA and 9.7 times EBIT) and above companies in the UK and Europe. The other three companies in the Asia Pacific region are based in Japan. They are significantly larger than Methven. Takara Standard is trading at relatively low multiples reflecting a historical trend of declining earnings;
- As a crosscheck, Grant Samuel has also reviewed the trading multiples of selected companies operating in the building products sectors in Australia. CSR is trading at lower multiples reflecting an outlook for declining earnings over the next 2 – 3 years (based on broker consensus forecasts);
- The multiples are based on closing share prices as at 18 January 2019. The share prices and therefore the multiples do not include a premium for control. Shares in a listed company normally trade at a discount to the underlying value of the company as a whole;
- The companies selected have varying financial year ends. The data presented above is the most recent annual historical result plus the subsequent forecast year; and
- There are considerable differences between the operations and scale of the comparable companies when compared with Methven. In addition, care needs to be exercised when comparing multiples of New Zealand companies with internationally listed companies. Differences in regulatory environments, share market and broader economic conditions, taxation systems and accounting standards hinder comparisons.

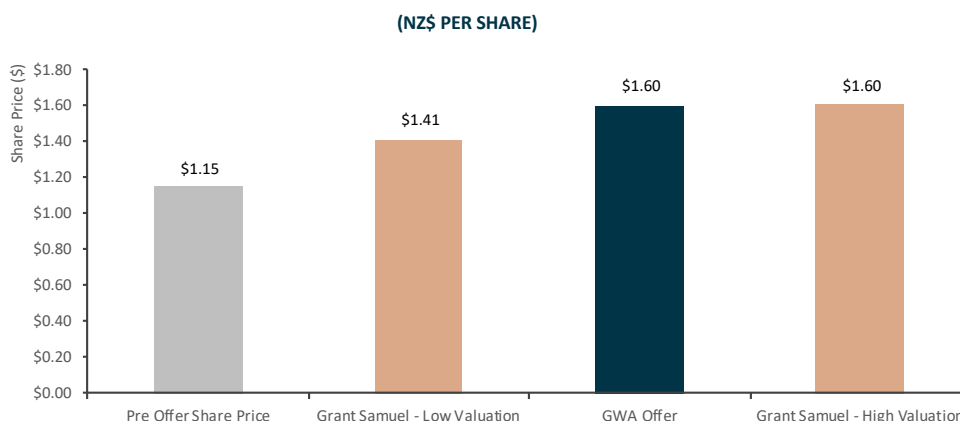
5 Merits of the Proposed Scheme

5.1 The value of the Proposed Scheme

The value of the Proposed Scheme can be assessed with reference to a number of factors:

- Grant Samuel's assessment of the value of Methven.** In Grant Samuel's opinion the full underlying value of Methven shares is in the range of \$1.41 to \$1.60 per share as set out in Section 4. This value represents the value of acquiring 100% of the equity in Methven and therefore includes a premium for control. In Grant Samuel's opinion the offer price under a takeover offer or scheme of arrangement where the offeror will gain control should be within, or exceed, the pro-rated full underlying valuation range of the company. **The Proposed Scheme price of \$1.60 per share is at the upper end of Grant Samuel's assessed value range for Methven shares.** The diagram below compares the Proposed Scheme price with Grant Samuel's assessed value range for Methven shares and the Methven share price immediately prior to the announcement of the Proposed Scheme;

GWA PROPOSED SCHEME VERSUS GRANT SAMUEL VALUATION RANGE AND PRE OFFER SHARE PRICE



- The premium implied by the Proposed Scheme.** The Proposed Scheme represents a premium of 39% relative to the closing price of \$1.15 per share on 13 December 2018, being the last trading day prior to the announcement of the Proposed Scheme, and a premium of 38% over the 1 month volume weighted average share price (VWAP). Over the longer term the Proposed Scheme represents a 36.5% premium to the 3-month VWAP. The premium for control is above the average premium of control generally observed in successful takeovers of other listed companies²². Since the announcement of the Proposed Scheme at a price of \$1.60 per share, Methven shares have traded in the range of \$1.51 to \$1.58 per share; and
- Comparable company and comparable transaction data.** The Proposed Scheme implies multiples of 10.8 times historical normalised EBIT and 10.4 times forecast normalised EBIT for FY19²³. Grant Samuel believes that the multiples implied by the Proposed Scheme is consistent, albeit at the higher end, with the transaction and sharemarket evidence after taking into account Methven's size and other factors.

²² This premium is typically in the range 20-35%.

²³ See section 4.13.1 for normalised earnings.

5.2 The timing and circumstances surrounding the Proposed Scheme

In July 2018, GWA sold API Services and Solutions Pty Ltd. and Gainsborough Hardware Industries Limited (the **Door & Access Systems business**) for approximately A\$105 million. On the date the transaction was announced GWA Managing Director, Tim Salt, said:

"The sale enables our strategic focus on superior solutions for water within our Bathrooms & Kitchens business where we have strong market positions, market-leading brands and where we have identified significant growth opportunities".

As a result of this transaction GWA became ungeared with access to a three-year revolving \$225 million facility which matures in October 2020.

The Proposed Scheme forms part of GWA's water solutions growth strategy. If GWA acquires Methven it will:

- strengthen its market position in Australia, New Zealand and the UK;
- acquire patents and intellectual property which can be used across GWA's brand portfolio in future product extensions;
- gain access to Methven's manufacturing capability and capacity in New Zealand and China;
- leverage the distribution capability Methven has established in Asia; and
- potentially realise the synergies that have been identified during the divestment process.

5.3 Possible outcomes of the Proposed Scheme

The Proposed Scheme needs the support of 75% of the shares voted by each interest class on the special resolution, and more than 50% of the total number of voting securities in the company to be voted in favour of the Proposed Scheme, for it to proceed.

Methven only has one class of shares, all of which are fully paid up ordinary shares, with identical voting rights. The threshold for approving the Proposed Scheme is based on 75% of the number of votes actually cast. Realistically, some shareholders may not decide to cast their votes at a meeting or by proxy. Therefore, the threshold is likely to be less than 75% of all voting securities on issue. For example, if 80% of voting securities on issue are cast, the threshold will be 75% of the 80% of voting securities on issue are cast (i.e. 60% of the total voting securities on issue). The probability of a 100% acquisition being successfully completed under a scheme structure is therefore materially increased, provided the threshold of more than 50% of the total number of voting securities being voted in favour can be achieved.

Methven shareholders will vote to approve or reject the implementation of the scheme. To be passed, more than 50% of the total number of voting securities in Methven, and a majority of at least 75% of the votes in each interest class²⁴, must be in favour of the resolution. If the two tests are satisfied and the High Court approves the Proposed Scheme and the other conditions (including obtaining regulatory approvals) are satisfied, the Proposed Scheme will proceed and all the shares in Methven will be acquired by GWA.

The possible outcomes of the Proposed Scheme are a function of Methven shareholders' endorsement (or not) of the scheme construct are summarised below:

- **The voting thresholds to approve the Proposed Scheme are achieved.**

If the voting thresholds to approve the Proposed Scheme are achieved and all other conditions are satisfied, the Proposed Scheme will be implemented. In that circumstance all shareholders in Methven will have their shares acquired at \$1.60 per share. Regardless of whether a Methven shareholder votes in favour of the Proposed Scheme, Methven shareholders will only realise cash under the Proposed Scheme if the voting thresholds are achieved, the other conditions are satisfied, and the transaction is therefore implemented. If the transaction is implemented Methven will be delisted. For those

²⁴ There is only one interest class of shares in this transaction.

shareholders wishing to retain an equity investment in the sanitaryware sector there are currently no other listed sanitaryware companies listed on the NZX, although proceeds could be reinvested into GWA and other companies listed on international stock exchanges;

■ **The voting thresholds to approve the Proposed Scheme are not achieved.**

If the voting thresholds to approve the Proposed Scheme are not achieved, the Proposed Scheme will not proceed, and no shares will be acquired by GWA. Methven will remain a listed company and will have no further obligation to GWA. No break fees will be payable by either GWA or Methven unless the terms of the SIA have been breached or another event, such as the announcement and completion of a competing transaction within 15 months occurs; and

■ **The voting thresholds to approve the Proposed Scheme are achieved and the conditions are not satisfied.**

If voting thresholds to approve the Proposed Scheme are achieved but the conditions are not satisfied, the Proposed Scheme will not proceed, and no shares will be acquired by GWA. Methven will remain a listed company and will have no further obligation to GWA. No break fees will be payable by Methven unless the terms of the SIA have been breached or another event, such as the announcement and completion of a competing transaction within 15 months occurs. GWA would pay Methven a reverse break fee of \$1.2 million if the condition requiring regulatory approvals is not satisfied (subject to limited exceptions).

5.4 Factors affecting the outcome of the Proposed Scheme

- Approximately 50% of the issued shares in Methven are held by the top ten registered shareholders, although many of these are nominee or holding companies. The support or otherwise of the larger shareholders in relation to the Proposed Scheme is likely to be material in determining whether or not Methven achieves the voting thresholds. Lindsay Trust, the largest shareholder in Methven with a 19.9% holding, has entered into a voting commitment agreement to vote its entire shareholding in support of the Proposed Scheme subject to there being no superior proposal and the SIA not being terminated. The support of the top shareholder provides a significant head start to meeting the voting thresholds required for the Proposed Scheme to be implemented;
- There have not been any significant trading events since 13 December 2018, the day before the announcement of the Proposed Scheme, 3.7 million shares²⁵ in Methven have traded, representing only 5% of the total shares on issue;
- The Methven share price has traded below the Proposed Scheme price since the Proposed Scheme was announced. From 14 December 2018 to 18 January 2019 Methven has traded in the range of \$1.51 to \$1.58 per share, or approximately \$0.02 to \$0.09 below the \$1.60 Proposed Scheme price. The increase in price to just below the price of the Proposed Scheme suggests the market believes the Proposed Scheme will be successfully implemented. However, the market may also in part be reacting to a better understanding of Methven's future prospects as a consequence of the GWA approach, which itself may contribute to a subsequent re-rating of the company;
- The Proposed Scheme is conditional on GWA receiving relevant regulatory consents for the acquisition. When and if all consents will be given is uncertain. The last date for the consents to be received is 14 June 2019, unless otherwise agreed by Methven and GWA, or if the OIO condition is likely to be satisfied by 14 September 2019. If all the necessary regulatory consents are not obtained, the Proposed Scheme will lapse and GWA will not acquire any shares in Methven. The scheme of arrangement process being pursued by GWA will result in it acquiring either no shares or 100% of the shares in Methven; and
- The break fee structure agreed between GWA and Methven provides for Methven to pay a fee of \$1.2 million if (amongst other things) a Director of Methven does not recommend the Proposed Scheme or if a competing transaction is announced and completed. The existence of the break fee structure has

²⁵ As at 18 January 2019.

implications. First, it provides Methven and its Directors with a monetary incentive to promote the Proposed Scheme. Secondly, it implies that the Independent Directors have formed the view that the Proposed Scheme is priced fairly. The break fee would make it marginally more expensive for another bidder to make a successful equivalently priced offer.

5.5 Other merits of the Proposed Scheme

- It is usual for transactions to be negotiated and the price set with settlement sometime later. In the case of the Proposed Scheme the settlement date is uncertain due to the timing of obtaining regulatory approvals. Under the Proposed Scheme Methven's shareholders may also receive a dividend that is declared by the company of not more than five cents per share from the profits for the six month period to 31 December 2018. This dividend has historically been paid at the end of March. In addition to this, if the OIO condition has not been satisfied on or before 30 June 2019, Methven may pay another dividend of no more than five cents per share from the profits for the six month period ending 30 June 2019, prior to the Proposed Scheme becoming effective. This dividend has historically been paid at the end of September. The dividends that are permitted to be paid under the Proposed Scheme ensures Methven's shareholders receive the benefit of the earnings that they would be entitled to from the date the Proposed Scheme is signed to the date it is settled and it does not reduce the total consideration being paid by GWA;
- The SIA is binding on Methven for six months from 14 December 2018. The SIA may be extended by a further three months if either party (acting reasonably) considers it likely that the OIO condition is capable of satisfaction within nine months from 14 December 2018. The SIA restricts Methven's conduct of business from 14 December 2018 until the date the SIA is settled or is cancelled. The restrictions are common for transactions of this nature and its purpose is to ensure that, from the date the SIA is signed, Methven carries on its business in the ordinary course and it does not make any significant change to the nature or scale of its business. Under the proposed timetable, whether the voting thresholds have been met will be determined in March 2019. Until the OIO condition is satisfied (if the voting thresholds to approve the Proposed Scheme are achieved), Methven's actions will be limited to what is prescribed under the SIA unless, it receives written consent from GWA, (which is not to be reasonably withheld) or in other exceptional circumstances;
- It is reasonably common for takeover transactions to include a sharing of the "synergy" benefits from an acquisition between the buyer and the seller. The extent of the sharing varies from transaction to transaction and can be an outcome the competition amongst prospective purchasers bidding for the asset or the business in question. Methven did not run a competitive process once it had received the approach from GWA;
- GWA has represented to Methven that it will continue to support the design, innovation and manufacturing base for the Methven's taps and showers business in New Zealand. This support will involve ensuring that the Methven's taps and showers business in Auckland, New Zealand remains an innovation and research & development centre for the GWA's overall business and that, as a consequence, jobs relating to these functions are retained in New Zealand. Methven and the Lindsay Trust expects that this commitment will be met;
- The Proposed Scheme includes a Material Adverse Change clause, which is common in transactions of this nature, not least because of the time needed to obtain shareholder and regulatory approvals. GWA may cancel the Proposed Scheme if there is an event or circumstance which occurs between the signing of the Proposed Scheme and the settlement, which reduces or is reasonably likely to reduce:
 - NPAT in FY19 and FY20 by \$1.1 million and \$1.3 million respectively; and or
 - the value of net assets by at least \$5.0 million;

The SIA details a range of circumstances or events which are excluded when determining a Material Adverse Change (i.e. GWA may not cancel the Proposed Scheme if excluded events eventuate). The excluded events include any changes resulting from any change in interest rates, exchange rates, general

economic, financial, regulatory, legal or political conditions if the impact on Methven's financials due to such changes is consistent with the impact that is experienced by its industry peers. The excluded events reduce the likelihood of the Material Adverse Change clause being breached;

- If the voting thresholds are not achieved, theoretically GWA could elect to increase the price it is prepared to pay for Methven. Any price increase would require a revised scheme of arrangement proposal. However, there is no certainty that a revised proposal would be tabled. Unless a revised proposal from GWA or a competing takeover offer from another party is anticipated by the market, Methven's shares are likely to trade at levels below the Proposed Scheme price of \$1.60 per share if the Proposed Scheme does not achieve the necessary vote thresholds and does not proceed; and
- Methven shareholders who choose not to vote in favour of the Proposed Scheme have either decided they want to retain their investment in Methven for the longer term or may be expecting that GWA or another bidder may make another offer at a higher price. There is no certainty regarding the ongoing performance of Methven or that a subsequent offer or scheme proposal from GWA will be forthcoming if the Proposed Scheme is rejected by Methven shareholders. The risks and benefits associated with an investment in Methven are outlined at Section 5.6 below.

5.6 Consequences if the Proposed Scheme is rejected

If the Proposed Scheme is rejected by Methven shareholders, Methven will remain as a listed company with no shares acquired by GWA as a consequence of the Proposed Scheme. The status quo scenario is therefore very relevant to Methven shareholders in deciding whether to support or reject the Proposed Scheme. In respect of the status quo scenario:

- Methven operates in a fragmented and highly competitive industry with a relatively concentrated customer base in New Zealand, Australia and the UK. Over the last five financial years Methven has achieved a low CAGR of revenue of 2.7% highlighting the challenges of revenue growth in its existing markets. Methven's recent growth in China is promising, but it is too early to tell if the long term strategy in Asia will be effective. If Methven can grow in China and throughout Asia it will diversify its revenue and provide exposure to a fast growing region;
- The benefit of Methven's F4TF programme and other new product developments have not yet been fully realised. The full benefit of F4TF and new product releases will likely only be realised in FY20 and beyond. This combined with the potential growth in Asia may result in a significant increase in reported earnings; and
- Since the beginning of 2017, Methven has underperformed the NZX50 index. The underperformance of the share price relative to NZX50 index is in part due to Methven's lack of growth in revenue and earnings and the company missing its market guidance in 2017. Management's analysis of the benefits of the F4TF programme after the first 12 months is positive and the recent growth in China is promising which is reflected in the recent increase in the share price.

A consideration for Methven shareholders is whether, in time, an investment in Methven will yield a higher value outcome than the Proposed Scheme. If Methven can deliver on its initiatives and achieve the earnings growth it anticipates in FY20 and beyond, then higher value outcomes may eventuate.

As with any equity investment there are risks associated with the market in which the company operates.

The risks associated with an investment in Methven include:

- *Foreign Currency.* Methven operates in a number of countries and as a consequence is exposed to movements in the value of the New Zealand dollar. Approximately 70% of its revenue is earned outside of New Zealand;
- *Competition.* As outlined above, Methven operates in a very competitive environment against significantly larger global manufacturers. There is a risk that new products do not achieve the anticipated growth in market share or margins are squeezed due to the competitive pressures;

- *Concentrated customer base.* In Methven's key markets its revenue is generated through a relatively small number of plumbing and building merchants and DIY stores, which gives the customers some additional pricing power;
- *Residential construction cycles.* Although a large proportion of Methven's revenue is generated through the renovation and alternation market, the company does have exposure to new build construction in all of its key markets. Construction activity is cyclical and in New Zealand, Australia and the UK the levels of construction are at historically high levels. A downturn in the level of activity will likely result in lower revenue growth; and
- *Liquidity in Methven Shares.* GWA does not control Methven and will not do so if the Proposed Scheme fails to achieve the necessary shareholders' vote as it will not acquire any shares in Methven. Therefore, the liquidity of Methven shares will not be affected if the Proposed Scheme does not proceed.

5.7 Likelihood of alternative offers

- The prospect of an acquisition by GWA in the form of a Proposed Scheme was announced on 14 December 2018. Since that time, the Proposed Scheme and its prospects of success have received some press analysis and commentary. However, to date, no alternative takeover offers, or proposals have been forthcoming;
- Grant Samuel understand that Methven did not run a competitive process once it had received the approach from GWA and under the Proposed Scheme, Methven is now not able to directly or indirectly solicit, invite, encourage or initiate any competing proposal (**GWA's Exclusivity**). Methven is able to address a competing proposal in the situation that if it did not, the Directors would be in breach of their fiduciary or statutory duties. The restrictions imposed on Methven under the Proposed Scheme lowers the probability of Methven receiving a competing proposal;
- Under the Proposed Scheme, GWA has provisions to match any competing proposal (the **GWA Counter Proposal**). If there is a competing proposal, Methven is prohibited from entering into any binding documentation and no recommendation or endorsement can be made by Methven or the Directors unless GWA has been given at least five business days to provide a GWA Counter Proposal. If the GWA Counter Proposal, as a whole, is no less favourable to shareholders than the competing proposal then Methven must use its best endeavours to enter into documentation to give effect and to implement the GWA Counter Proposal as soon as possible and Methven's Directors must recommend the GWA Counter Proposal to shareholders;
- The voting commitment from Lindsay Trust, GWA's Exclusivity and GWA's ability to match any competing proposal limits the ability for Methven to enter into a SIA with another party. From 14 December 2018 until the Proposed Scheme is unconditional and settled, Methven remains as a listed entity and, with the exception of the shares owned by the Lindsay Trust, there are no trading restrictions on any of its shares. By most measures the Methven shareholder base is reasonably "open";
- A competing proposal is most likely to come by way over a traditional takeover offer with low acceptance thresholds (e.g. a takeover for 100% of the company, conditional on 50.01% acceptance);
- In the event a superior offer is received and GWA does not match the offer, subject to GWA's ability to require Methven to proceed, Methven may terminate the SIA, in which case it must pay a break fee to GWA of \$1.2 million; and
- The use of a scheme of arrangement mechanism provides the acquirer with the absolute certainty that, if the resolutions are passed, it will secure 100% of the shares on issue (subject to satisfaction of the other conditions). While the scheme of arrangement structure is likely to be preferred by GWA by virtue of the lower acceptance levels to be successful, it may elect to launch a conventional takeover offer if the Proposed Scheme does not proceed.

5.8 Voting for or against the Proposed Scheme

This report has been prepared without taking into account the objectives, financial situation or needs of individual Methven shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Methven in relation to the Proposed Scheme.

Voting for or against the Proposed Scheme is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Scheme should consult their own professional adviser.

GRANT SAMUEL & ASSOCIATES LIMITED

31 January 2019

APPENDIX A - QUALIFICATIONS, DECLARATIONS AND CONSENTS

1. *Qualifications*

The Grant Samuel group of companies provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, Simon Cotter, BCom, MAppFin, F Fin, Christopher Smith, BCom, PGDipFin, MAppFin, and Jake Sheehan, BCom (Hons). Each has a significant number of years of experience in relevant corporate advisory matters.

2. *Limitations and Reliance on Information*

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of Methven. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Methven. However, in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

In any event, an analysis of the merits of the Proposed Scheme is in the nature of an overall opinion rather than an audit or detailed investigation. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Methven. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of Methven prepared by the management of Methven. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cash flows for Methven. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and

offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Methven is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Methven, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Methven, other than as publicly disclosed.

3. Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Proposed Scheme. Grant Samuel expressly disclaims any liability to any Methven security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees to the extent allowed by law for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Methven and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

4. Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with Methven or GWA that could affect its ability to provide an unbiased opinion in relation to the Proposed Scheme. Grant Samuel had no part in the formulation of the Proposed Scheme. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Proposed Scheme. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

5. Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Methven and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Methven and contained within this report is sufficient to enable Methven security holders to understand all relevant factors and make an informed decision in respect of the Proposed Scheme. The following information was used and relied upon in preparing this report:

5.1 Publicly Available Information

- Scheme Implementation Agreement between GWA and Methven;
- Methven's Annual Reports for the financial years ended 30 June 2016-2018;
- Methven's Full Year result presentation for the year to 30 June 2018;
- Methven's FY18 AGM presentation; and
- Broker research, industry reports and press articles.

5.2 Non Public Information

- Methven budget pack for year ending 30 June 2019;
- Methven management presentation to GWA dated 24 October 2018;
- Presentation on the Methven UK operations;
- Presentation on the Methven China operations;
- Methven's management accounts for 2017, 2018 and 2019YTD; and
- Methven's management forecast for FY19 and business plan for FY20.

6. Declarations

Methven has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Methven has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Methven are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of Methven. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7. Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to security holders of Methven. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

APPENDIX B – COMPARABLE TRANSACTIONS

INTERNATIONAL SANITARYWARE

UK & Europe:

HeziBank/Hamat Group

On 9 November 2017, Hamat Group Limited (**Hamat**) announced that it had acquired 80% HeziBank for ILS76m (approximately NZ\$40m). HeziBank had revenues of ILS150m and EBITDA of ILS20mn in 2016. The purchase price implied a multiple of approximately 4.75 times historical 2016 EBITDA. HeziBank manufactures wall and flooring tiles, bathroom furniture and accessories. The company is based in Israel. Hamat manufactures, markets and exports bathroom and kitchen products primarily for the domestic market in Israel. Further information of Hamat, which is a listed company, is provided in Appendix C.

Merlyn Industries Ltd/Norcros

On 2 November 2017, Norcros PLC (**Norcros**) announced that it had agreed to acquire Merlyn Industries Limited (**Merlyn**), a leading designer and distributor of shower enclosures for total consideration of £60 million. For the year ended 31 March 2017, Merlyn generated EBIT of £6.4 million on revenues of £30.7 million. The purchase price implied a multiple of 9.4 times historical EBIT. Norcros is a manufacturer of bathroom and kitchen products with operations in the UK and South Africa. Further information on Norcros is outlined in Appendix C. The acquisition was consistent with Norcros' strategy to expand its bathroom product range.

Abode Home Products Ltd/Norcros

On 1 April 2016, Norcros announced that it had acquired Abode Home Products Ltd (**Abode**), a niche designer and distributor of kitchen taps, bathroom taps and kitchen sinks for total consideration of £4.8 million. £3.9 million was settled in cash and £0.9 million was payable in the year to 31 March 2019. For the 12 months to 29 February 2016, Abode generated normalised EBITDA of £0.8 million. The purchase price represented a multiple of 5.5 times normalised historical EBITDA.

Croydex Group Limited/Norcros

On 25 June 2015, Norcros announced that it had acquired 100% of Croydex Group Limited (**Croydex**) for \$21.9 million comprising an upfront payment of £20.8 million and deferred consideration of £1.1 million. Croydex is a UK based designer and manufacturer of bathroom furnishings and accessories with 82 employees. For the year ended 31 March 2015, the company generated EBITDA of £3.1 million. The purchase price represented a multiple of 6.5 times historical EBITDA. The acquisition increased the breadth of Norcros' product range.

Sanitec Corporation/Geberit AG

On 14 October 2014, Geberit AG (**Geberit**) made an offer to acquire Sanitec Oyj (**Sanitec**) for SEK9.7 billion (equivalent to approximately NZ\$1.2 billion). Sanitec distributes bathroom ceramics and furniture in Europe. At the time of the acquisition it had 18 factories, 6,200 employees and 14 brands. For the 12 months to 30 September 2014 Sanitec generated EBITDA of SEK896 million on revenues of SEK6.4 billion. The purchase price implied multiples of 10.9 times forecast EBITDA and 15.0 times forecast EBIT (based on broker consensus at the time the acquisition was announced). The combination of Geberit and Sanitec created Europe's leading company in sanitary products. After estimated cost synergies of €45 million the implied EBITDA multiple reduces to 8.4 times.

GROHE Group/LIXIL Corporation

On 26 September 2013, LIXIL Corporation (**LIXIL**) announced that it had agreed to acquire 87.5% of the shares of in GROHE Group S.à.r.l. (**GROHE**) from TPG Capital and PLJ Merchant Banking Partners at an implied enterprise value of €3.06 billion. GROHE is Europe's largest and the world's leading single-brand manufacturer and supplier of sanitary fittings. Its products are distributed in over 130 countries. For the 2012 year, GROHE generated EBIT of €218 million on net sales of €1.045 billion. The purchase price implied a multiple of approximately 10.3 times forecast EBITDA.

Eurobath International Ltd/Norcros

On 2 April 2013, Norcros announced that it had acquired Eurobath International Ltd (trading as **Vado**) for initial consideration of £11.0 million plus further payments up to £4.1 million depending on future financial performance. Vado is a manufacturer and distributor of bathroom controls including taps, mixers, bathroom accessories and valves. Its products are positioned in the mid-high end of the market. 55% of revenue was generated domestically in the UK and 45% from international markets. Vado has 144 employees. For the year ended 31 December 2012, Vado generated EBITDA of £2.5 million on revenue of £25.6 million. The purchase price implied multiples of approximately 4.8 times EBITDA excluding the earnout and 6.4 times including the earnout.

Marazzi Group S.p.A/Mohawk Industries Inc.

On 20 December 2012, Mohawk Industries Inc. (**Mohawk**) entered into an agreement to acquire Marazzi Group S.p.A (**Marazzi**) for €1.2 billion. For the 2011 year Marazzi reported revenues of €833 million. It was reported that the purchase price represented a multiple of approximately 8.0 times 2012 estimated EBITDA of €145 million. Marazzi is a manufacturer of ceramic tiles. The company is based in Italy, but has operations in the USA, Japan, Russia and China. Mohawk is the leading supplier of flooring products for residential and commercial applications with 6,300 employees. It is listed on the New York Stock Exchange.

NOVASERVIS.a.s./FERRO S.A

On 22 March 2011 Ferro S.A (**FERRO**) agreed to acquire NOVASERVIS.a.s. (**NOVASERVIS**) from KBC Private Equity and other shareholders for CZK1.17 billion (equivalent to approximately US\$70 million). NOVASERVIS produces single level mixers and bathroom accessories in the Czech Republic and Slovak Republic. Its products include shower mixers, spouts, holders, heads, hoses and sets. In 2010, NOVASERVIS generated EBITDA of approximately US\$9 million on revenues of US\$39 million. The purchase price implied a multiple of 7.4 times historical EBITDA.

The Americas:***HOUZER Inc/Hamat Group***

On 7 May 2017, Hamat Group (**Hamat**) announced that it had agreed to acquire Houzer Inc (**Houzer**) for US\$2.8 million. Houzer manufactures and markets kitchen sinks in the US and internationally. In 2016, Houzer generated EBIT of US\$0.5 million on sales of US\$5.5 million. The purchase price implied a multiple of 5.6 times historical EBIT.

American Standard/LIXIL Corporation

On 28 June 2013, LIXIL Corporation (**LIXIL**) announced that it had agreed to acquire AS America Inc. (trading as **American Standard**) from Sun Private Equity for a total purchase price of approximately US\$540 million (including debt). American Standard is a manufacturer and distributor of sanitary ware and plumbing products, including bathtubs in North America. The company has 14 manufacturing facilities and four distribution centres throughout America. For the year ended December 2012, American Standard reported normalised EBITDA of US\$32.6 million and a normalised EBIT of approximately US\$29.6 million. It was reported that the purchase price implied a multiple of approximately 13.0 times EBITDA.

Cecrisa Revestimentos Cerâmicos S.A./Vinci Capital Partners

On 2 June 2012, Vinci Capital Partners (**Vinci**) acquired a 70% stake in Cercisa Revestimentos Cerâmicos S.A (**Cecrisa**) for BRL250 million (equivalent to approximately US\$120m). Cecrisa manufactures and distributes ceramic tiles through a network of agents in 50 countries. In 2011, Cecrisa had gross sales of BRL750 million, EBITDA of BRL96.5 million and EBIT of BRL76.2 million. The purchase price implied multiples of 6.4 times historical EBITDA and 8.2 times historical EBIT.

Asia Pacific:***Sun Wave Corporation/JS Group***

On 14 December 2009, JS Group Corporation (now known as **LIXIL Corporation**) announced that it would acquire the remaining 70.02% in Sun Wave Corporation (**Sun Wave**) for ¥13.3 billion in stock. Sun Wave manufactures and markets kitchen, bathroom and hygienic equipment in Japan and Hong Kong. For the year ended March 2009, Sun Wave generated EBIT of ¥986 million on sales of ¥91.8 billion. The purchase price implied multiples of 5.7 times historical EBITDA and 16.8 times historical EBIT. Sun Wave is a highly capital intensive business. As a consequence, depreciation is high resulting in a very high EBIT multiple.

APPENDIX C – COMPARABLE COMPANIES

International Sanitaryware:

Europe, UK & Scandinavia:

FERRO S.A

FERRO S.A. (**Ferro**) manufactures and sells sanitaryware and heating fittings in the Central and Eastern Europe countries of Poland, The Czech Republic, Slovakia and Romania. The company sells its products under the *FERRO*, *Weberman*, *Metalia*, *Titania*, and *Novatorre* brands. FERRO is headquartered in Poland and has been listed since 2011. For the year ended 30 June 2018, FERRO generated EBITDA of PLN55.0 million (approximately US\$14.3 million) on revenues of PLN382 million (approximately US\$100 million). FERRO is trading at multiples of 7.2 times historical EBITDA and 7.7 times historical EBIT.

FM Mattsson Mora Group AB

FM Mattsson Mora Group AB (publ) (**Mattsson Mora**) designs, manufactures, and sells faucets and accessories for kitchens and bathrooms in the Nordic region and internationally. The company offers fixtures, such as water taps and thermostatic mixers under the *FM Mattsson*, *Mora Armatur*, and *Damixa* brands. Of the company's SEK1.13 billion (approximately US\$124 million) is sales for 2017: 90% avenue from Nordic countries and 10% from international markets. The company has 545 employees and manufacturing operations in Sweden and Denmark. Mattsson Mora is trading at multiples of 6.2 times forecast EBITDA and 9.4 times forecast EBIT (based on consensus).

Hamat Group Ltd

Hamat manufactures, markets, and exports bathroom and kitchen products in Israel. The company provides bathroom and kitchen faucets, shower rooms and stalls, kitchen sinks, washbasins, toilets, and bathrooms, as well as plumbing and sanitary products comprising washing tanks, seats, and pipes. It also offers kitchen and bathroom accessories, such as soap dispensers, hangers, hooks, mirrors, toilet paper hangers, decorative trash bins, door knobs, and other functional elements. Hamat generates approximately 87% of its revenue from Israel. The company is trading at multiples of 7.8 times historical EBITDA and 10.5 times historical EBIT.

Norcros PLC

Norcros PLC (**Norcros**), engages in the development, manufacture, and marketing of bathroom and kitchen products in the UK (approximately 67% of revenue) and South Africa (approximately 33% of revenue). The company manufactures and distributes electric, and mixer showers and accessories under the *Triton* brand name; taps, mixer showers, bathroom accessories, high end brassware, and valves under the *Vado* brand name; and accessories and furniture for the bathroom, such as toilet seats, wall-mounted cupboards, vanity units, shower rods, rails, and curtains to retail and trade customers under the *Croydex* brand name. It also offers kitchen taps, sinks, and hot water taps under the *Abode* brand name; ceramic wall and floor tiles under the *Johnson Tiles* brand name; adhesives, grouts, and surface preparation products under the *Norcros Adhesives* brand name for fixing ceramic and porcelain tiles, mosaics, natural stones, and marbles; and shower enclosures and trays to the residential, commercial, and hospitality sectors under the *Merlyn* brand. In addition, the company provides adhesives and grouts for various types of ceramic, porcelain, or natural stone tiles; and various products for the preparation of floors before the installation of hard and soft floor coverings, including primers, additives, patching and repair compounds, and screeds and self-levelling screeds, as well as waterproofing systems under the *TAL* brand name. Further, it retails wall and floor tiles, adhesives, showers, sanitaryware, and bathroom fittings under the *Tile Africa* brand name. Norcros was incorporated in 1999 and is headquartered in the UK. Norcros is currently trading at multiples of 5.0 times forecast EBITDA and 6.0 times forecast EBIT (based on broker consensus).

Svedbergs i Dalstorp AB

Svedbergs i Dalstorp AB (**Svedbergs**) develops, manufactures, and markets bathroom products in Scandinavia. 73% of revenue is generated from Sweden, 26% from other Scandinavian countries and 1% from other international markets. 71% of revenue is generated from the sale of Svedberg branded products and 29% from products under the Macro brand consisting of shower cabinets and enclosures. The company has approximately 283 employees. The company was founded in 1920 and is headquartered in Sweden. Svedbergs is trading at multiples of 10.0 times historical EBITA and 11.9 times historical EBIT.

Uponor Oyj

Uponor Oyj (**Uponor**) provides plumbing, indoor climate, and infrastructure solutions globally. The company operates through three segments: Building Solutions – Europe, Building Solutions – North America and Infrastructure. It offers drinking water delivery systems, including multilayer and flexible pipe, and hygienic control systems, ceiling, underfloor, and water heating and cooling systems, room temperature controls, and radiator connection components. The company also provides distribution units, supply water temperature controls, and connection boxes, pre-insulated pipes for heat and cooling distribution networks, warm tap water transportation, and cold water supply, and ventilation and energy systems, as well as insulated fittings. In addition, it offers pipes for sewerage, storm and potable water transportation, gas and biogas transportation, and cable protection and telecommunications, various water tanks, grease separators, chambers, soil treatment/septic tanks, grey water filters, and biological treatment plants, and ecological, infiltration, drainage, and indoor waste water pipe systems. Further, the company provides enclosures for the pumping stations and fittings, storm water flow control, pumping, prefabricated, and renovation solutions, devices for automated welding processes, and solutions for contaminated storm water to remove heavy metal and oil. The company sells its products primarily through wholesalers. Uponor was founded in 1918 and is based in Finland. The company is trading at multiples of 6.9 times forecast EBITDA and 9.4 times forecast EBIT (based on broker consensus).

Villeroy & Boch AG

Villeroy & Boch Aktiengesellschaft (**Villeroy & Boch**) manufactures and sells ceramic products worldwide. It operates through Bathroom and Wellness, and Tableware segments. The Bathroom and Wellness segment manufactures ceramic sanitary ware, ceramic kitchen sinks, bathroom furniture, bathtubs and shower tubs, whirlpools, fittings, and accessories. It also offers sauna and spa facilities, kitchen fittings, and accessories. This segment contributes 67% of revenue and 82% of EBIT. The Tableware segment provides tableware, crystal and cutlery, and accessories, as well as kitchen and tableware textiles, and gift articles. The company offers its products primarily under the Villeroy & Boch brand name. It sells its products through a network of 100 Villeroy & Boch stores and approximately 510 points of sale facilities at department stores, as well as through its online shops. The company serves dealers, craftsmen, architects, interior designers, planners, small porcelain retailers, department store chains, e-commerce providers, investors, and operators of hotels and restaurants. Villeroy & Boch was founded in 1748 and is headquartered in Germany. Villeroy & Boch is trading at multiples of 5.0 times EBITDA and 7.4 times historical EBIT (based on broker consensus).

North America:***Fortune Brands Home & Security, Inc.***

Fortune Brands Home & Security, Inc., (**Fortune Brands**) provides home and security products primarily in North America. It operates in four segments: Cabinets, Plumbing, Doors, and Security. The Cabinets segment manufactures custom, semi-custom, and stock cabinetry, as well as vanities for the kitchen, bath, and other parts. This segment contributes to 47% of revenue and 34% of EBITDA (before SG&A). The Plumbing segment manufactures and sells faucets, accessories, kitchen sinks, and waste disposals units. This segment contributes 33% of revenue and 47% of EBITDA (before SG&A). The Doors segment manufactures and sells fiberglass and steel entry doors. The Security segment manufactures and sells

key-controlled and combination padlocks, bicycle and cable locks, built-in locker locks, door hardware, automotive locks, trailer and towing locks, electronic access control solutions, and other specialty safety and security devices. Fortune Brands is trading at multiples of 9.4 times forecast EBITDA and 11.3 times forecast EBIT (based on broker consensus).

Masco Corporation

Masco Corporation (**Masco**) designs, manufactures, and distributes home improvement and building products worldwide. Its primary business segments are:

- **Plumbing Products**, which offers faucets, showerheads, showers, baths, toilets and system components. This segment contributes 55% of EBITDA (before SG&A) and 49% of revenues; and
- **Decorative & Architectural Products**, which provides coatings and hardware. This segment contributes 34% of EBITDA (before SG&A) and 29% of revenue.

Masco's other segments are cabinetry products and windows and other speciality products. Masco is currently trading at multiples of 8.9 times forecast EBITDA and 10.1 times forecast EBIT (based on broker consensus).

Asia Pacific:

GWA Group Limited

GWA researches, designs, manufactures, imports, markets, and distributes building fixtures and fittings to residential and commercial premises in Australia, New Zealand, and international markets. It offers vitreous China toilet suites, basins, plastic cisterns, tapware, baths, kitchen sinks, laundry tubs, and bathroom accessories under the Caroma, Dorf, Clark, Fowler, Stylus, Emco, Schell, Virtu, and Sanitron brands. The company is headquartered in Eagle Farm, Australia. GWA is currently trading at multiples of 9.1 times forecast EBITDA and 9.7 times forecast EBIT (based on broker consensus).

LIXIL Group Corporation

LIXIL operates in the housing and building industry worldwide. The company generates three quarters of its revenue through its two primary business segments:

- **Water Technology**, which offers sanitaryware and related accessories and equipment under a range of brands. This segment contributes 43% of total revenue; and
- **Housing Technology**, which provides windows, doors, furnishings and other home materials. This segment contributes 32% of total revenue.

LIXIL's other segments include Building Technologies, Distribution & Retail, Housing & Services and Kitchen Technology. LIXIL is headquartered in Tokyo, Japan. LIXIL is trading at multiples of 10.0 times forecast EBITDA. Forecast EBIT multiples are very high (approximately 27 times year 1 forecast and 20 times year 2 forecast). This is due to lower earnings in these years which is distorting the implied multiples of EBIT. LIXIL also has higher capital expenditure requirements than other listed sanitary ware companies as it has a large manufacturing footprint on multiple continents.

Takara Standard Co.,Ltd.

Takara Standard Co.,Ltd. (**Takara Standard**) manufactures and sells enamelled products. The company offers enamelled system kitchens, wood system kitchens, enamelled stainless steel bathtubs, artificial marble bathtubs, system baths, enamelled washstands, sink units, heating appliances, hot water heaters, enamelled wall covering materials, and other home appliances and equipment. It primarily sells its products through a network of 172 showrooms in Japan. Takara Standard was founded in 1912 and is headquartered in Osaka, Japan. Takara Standard is currently trading at multiples of 4.0 times historical EBITDA and 5.8 times historical EBIT.

Toto Limited

Toto Ltd. (**Toto**) manufactures and sells bathroom and kitchen plumbing products worldwide. It offers sanitaryware, such as toilet basins, urinals, sinks, washbasins, system toilets, toilet seats, plumbing accessories, bathtubs, unit bathrooms, and fittings consisting of various faucets, drain fittings. The company also provides modular kitchens, bathroom vanity units, marble artificial marble counters, bathroom ventilation, heating, and drying systems, and welfare equipment. In addition, it offers tiles, ceramic slabs, and ceramics consisting of air bearings, electrostatic chucks, bonding capillaries, and receptacles for the semiconductor, FPD manufacturing, and optical communication industries, as well as optical components. Toto was founded in 1917 and is headquartered in Japan. Toto generates 74% of its revenue from Japan, 12% from China and 14% from other international markets, including North America. The company is trading at multiples of 9.1 times forecast EBITDA and 12.9 times forecast EBIT (based on broker consensus).

SELECTED AUSTRALASIAN BUILDING PRODUCT COMPANIES:**Adelaide Brighton**

Adelaide Brighton Limited (**Adelaide Brighton**) produces, imports, distributes, and markets construction materials in Australia. The company derives approximately 96% of its operating profit and 90% of its revenues from the sale of cement, lime, concrete and aggregate products. The company has approximately 1,540 employees. Adelaide Brighton Limited was founded in 1882 and is headquartered in Adelaide, Australia. The company is currently trading at multiples of 9.6 times forecast EBITDA and 12.6 times forecast EBIT.

CSR

CSR Limited (**CSR**) manufactures and supplies building products for residential and commercial construction in Australia and New Zealand. CSR has three primary business segments:

- **Building products**, consisting plasterboard, concrete products, fibre cement, steel products, insulation, ventilation systems, bricks and roofing products. This segment contributes 64% of the revenue and 62% of EBITDA;
- **Glass products**, which provides architectural glass, floatglass and hard coated performance products. This segment contributes 14% of total revenues and 5% of EBITDA; and
- **Aluminium products**, which produces aluminium ingots, billets and slabs. This segment contributes approximately 22% of revenues and 23% of EBITDA.

CSR was founded in 1855 and is headquartered in Australia. CSR is trading at multiples of 4.4 times forecast EBITDA and 5.8 times forecast EBIT (based on broker consensus).

Dulux Group

DuluxGroup Limited (**Dulux**) manufactures, markets, sells, and distributes paints, coatings, adhesives, and garden care and other building products in Australia, New Zealand and other international markets. 84% of revenue is generated in Australia, 11% from New Zealand and 5% from other countries. Dulux was founded in 1918 and is headquartered in Australia. Dulux is trading at multiples of 10.9 times forecast EBITDA and 12.7 times EBIT (based on broker consensus).

Reece

Reece Limited (**Reece**) engages in importing, wholesaling, distributing, marketing, and retailing plumbing, bathroom, heating, ventilation, air-conditioning, and refrigeration products in Australia and New Zealand. It also provides specialised services, and supplies plumbing and bathroom products to volume home builders and commercial developers, as well as specialized products and services for irrigation contractors, landscape designers, pool builders, and home owners. In addition, the company offers specialized products and services for civil construction works, including water mains, sewerage, drainage, fire services, gas mains, and telecommunications, and specialized equipment, parts, and supplies for the commercial heating, ventilation, air conditioning, and refrigeration industries. It serves

customers in the trade, retail, professional, and commercial markets through its approximately 615 stores. Reece was founded in 1919 and is based in Australia. Reece is trading at multiples of 9.5 times forecast EBITDA and 12.7 times forecast EBIT.

Steel & Tube

Steel & Tube Holdings Limited provides a range of steel products and services in New Zealand. The company offers structural steel, bar and plate products, and hollow steel sections; pipe and cable supports products; and stainless steel products, including coils, sheets, plates, pipes, hygienic tubes and related fittings, as well as various structural bars, handrails, and architectural products to large scale projects, stainless steel fabricators, and major corporations and businesses in the construction, dairy, water, food processing, energy, and manufacturing sectors. It also provides architectural stainless steel and other metals; chain and rigging services and solutions; pipes, valves, and fittings for petrochemical, power generation, mining, irrigation, fire protection, building services, and water and wastewater industries; profile metal roofing, cladding, and rainwater products; HST purlins and top hats; and fastening solutions for construction, manufacturing, general engineering, and fabrication sectors. In addition, the company offers fabricated reinforcing steel meshes, bars, ties, piles, beams, and columns for use in building and construction industry; engineered reinforcing solutions; composite floor decks; industrial consumable products, such as grinding discs and cut off wheels, adhesives and sealants, drills and drill sets CRC and ROCOL, and industrial tools; and reinforcing, fencing, fence panels, wire, gates, and nail products for use in agricultural, horticultural, and viticultural industries, as well as rural construction sector. The company was founded in 1953 and is based in Lower Hutt, New Zealand. Steel & Tube is trading at multiples of 9.0 forecast EBITDA and 12.1 times (based on broker consensus).

APPENDIX D – VALUATION METHODOLOGY DESCRIPTIONS

Capitalisation of Earnings

Capitalisation of earnings or cash flows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the share market. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult, but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of intangible amortisation. EBIT can better adjust for differences in relative capital intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
- strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. While averages or medians can be determined it is not appropriate to simply apply such measures to the business being valued. The range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings. The most important part of valuation is to evaluate the attributes of the specific business being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a "premium for control" to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations, premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations, there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted

with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value Methven. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Methven's case.

APPENDIX E – INTERPRETATION OF MULTIPLES

Earnings multiples are normally benchmarked against two primary sets of reference points:

- the multiples implied by the share prices of listed peer group companies; and
- the multiples implied by the prices paid in acquisitions of other companies in the same industry.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of controlling interests in similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations, premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by share market investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
 - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
 - strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
 - the company's own performance and growth trajectory;
 - rationalisation or synergy benefits available to the acquirer;
 - the structural and regulatory framework;
 - investment and share market conditions at the time, and
 - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall share market levels and rating between countries, economic factors (economic growth, inflation, interest rates), market structure (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or share market levels;
- acquisition multiples are based on the target's earnings, but the price paid normally reflects the fact that there were cost reduction opportunities or synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these cost reductions and/or synergies the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings;

- while EBITDA multiples are commonly used benchmarks, they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
 - EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
 - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher as capital expenditure.

ANNEXURE B: SCHEME PLAN

for a **scheme of arrangement** under Part 15 of the Companies Act 1993

between

Methven Limited (Company No. 1111463) a duly incorporated company having its registered office at 41 Jomac Place, Avondale, Auckland, 1026, New Zealand (**Target**)

and

Scheme Shareholders (as defined below)

and

GWAIL (NZ) Limited (Company No. 923597) a duly incorporated company having its registered office at 33 Business Parade Noth, Highbrook, Auckland, 2013, New Zealand (**BidCo**)

and

GWA Group Limited, a company incorporated in Australia whose registered office is 7 Eagleview Place, Eagle Farm, Queensland 4009, Australia (Guarantor)

1 CONDITIONS

The implementation of the Scheme is conditional in all respects on:

- (a) all of the Conditions having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 8.00am on the Implementation Date;
- (b) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms before 8.00am on the Implementation Date;
- (c) such other conditions made or required by the Court under section 236(1) and 237 of the Companies Act and agreed to by Target and Guarantor having been satisfied or waived; and
- (d) the orders of the Court made under subsection 236(1) of the Companies Act approving this Scheme Plan coming into effect, pursuant to subsection 236(3) of the Companies Act, on or before the End Date.

2 SCHEME CONSIDERATION INTO TRUST ACCOUNT

2.1 Obligation to pay into trust account

Subject to the Scheme Implementation Agreement not being terminated and the Scheme having become Unconditional (save for the Conditions set out in clause 3.1(d) to (f) (inclusive) of the Scheme Implementation Agreement), BidCo must, by no later than 5.00pm on the Business Day before the Implementation Date, deposit (or procure the deposit of) in immediately available cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders in a New Zealand dollar denominated trust account operated by Link Market Services (Funds).

2.2 Details of trust account

- (a) Subject to clause 2.2(b), the trust account will be held and operated by Link Market Services on the basis that the Funds are held on trust for BidCo and to its order, such that only BidCo may direct how the Funds will be paid from the trust account.
- (b) Clause 2.2(a) is subject to a standing direction from BidCo to Target and Link Market Services to make payment of the Scheme Consideration to the Scheme Shareholders upon transfer of the Scheme Shares to BidCo under clause 3.1(a).
- (c) The details of the trust account will be provided to BidCo by Link Market Services not less than 6 Business Days before the Implementation Date.

2.3 Interest

Any interest earned on the amount deposited will be payable to BidCo by Link Market Services as directed by BidCo.

2.4 Scheme not implemented

Should the implementation of the Scheme not occur by 5.00pm on the Implementation Date for any reason, Link Market Services will immediately repay such monies to BidCo to such New Zealand dollar denominated account(s) instructed to Link Market Services by BidCo.

3 IMPLEMENTATION

3.1 Subject to the conditions set out in clause 1 being satisfied and the Scheme Consideration having been deposited in accordance with clause 2.1, commencing at 9.00am on the Implementation Date and in the following order:

- (a) without any further act or formality, all the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to BidCo and Target must enter, or procure the entry of, the name of BidCo in the Register in respect of all of the Scheme Shares; and then
- (b) in accordance with the instructions in clause 2.2(b) and subject to compliance in full with clauses 2.1 and 3.1(a), Target must instruct Link Market Services to pay or procure the payment from the trust account referred to in clause 2 of the Scheme Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Register as at 5.00pm on the Scheme Record Date.

4 PAYMENT OF THE SCHEME CONSIDERATION**4.1 Method of payment**

The payment obligations of Target under clause 3.1(b) will be satisfied by:

- (a) where a Scheme Shareholder has, not less than 5 Business Days before the Scheme Record Date, made a valid election in accordance with the requirements of Link Market Services to receive payments from Target by electronic funds transfer to a bank account nominated by that Scheme Shareholder, paying the relevant amount by electronic transfer in accordance with that election (unless Target in its absolute discretion elects to make the payment in accordance with clause 4.1(b)); or
- (b) otherwise dispatching, or procuring the dispatch of, a cheque for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address (as at 5.00pm on the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 4.2).

4.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 4.1, the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme Plan will be made payable to the joint holders and sent to either, at the sole discretion of BidCo, the holder whose name appears first in the Register as at 5.00pm on the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme Plan, will be forwarded to either, at the sole discretion of Target, the holder whose name appears first in the Register as at 5.00pm on the Scheme Record Date or to the joint holders.

4.3 Surplus in trust account

To the extent that, following satisfaction of the obligations under clause 4.1, there is a surplus in the trust account referred to in clause 2, that surplus (less any amount retained under clause 4.5(b)) shall be immediately paid to BidCo.

4.4 Unclaimed monies

- (a) Target may cancel a cheque issued under clause 4.1(b) if the cheque is returned to Target or has not been presented for payment within six months after the Implementation Date.
- (b) During the period of six months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target, Target must reissue, or procure the reissue of, a cheque that was previously cancelled under clause 4.4(a).

4.5 Orders of a court or Government Authority

Notwithstanding any other provision of this Scheme Plan, if written notice is given to Target prior to the Scheme Record Date of an order or direction made by a court of competent jurisdiction or a Government Authority that:

- (a) requires consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by Target in accordance with clause 3.1(b), Target will be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents the consideration from being provided to any particular Scheme Shareholder in accordance with clause 3.1(b), or the payment of such consideration is otherwise prohibited by applicable law, the payment (equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration) will be retained in the trust account referred to in clause 2 until such time as provision of the consideration to the Scheme Shareholder in accordance with clause 3.1(b) is permitted by that order or direction or otherwise by law. Any amount so retained under this clause 4.5(b) may be held by Target or any of Target's related companies, provided that BidCo procures that such company complies with the obligations under this clause to pay such consideration to any applicable Scheme Shareholders,

and such provision or retention (as the case may be) will constitute the full discharge of BidCo's and Target's obligations under clause 3.1(b) with respect to the amount so provided or retained.

5 DEALING IN TARGET SHARES

5.1 Recognition of dealings

To establish the identity of the Scheme Shareholders:

- (a) dealings in Target Shares will only be recognised if:
 - (i) in the case of dealings of the type to be effected through NZX's clearing and settlement system, the transferee is registered in the Register as the holder of the relevant Target Shares as at 5.00pm on the Scheme Record Date; and
 - (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings, or valid requests in respect of other alterations, are received on or before 5.00pm on the Scheme Record Date at the place where the Register is kept; and
- (b) Target must not accept for registration, nor recognise for any purpose (except a transfer to BidCo pursuant to this Scheme Plan and any subsequent transfer by BidCo or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable forms.

5.2 Register

- (a) Target must register registrable transmission applications or transfers of Target Shares in accordance with clause 5.1(a)(ii) on or before 5.00pm on the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 5.2(a) requires Target to register a transfer that:
 - (i) relates to a transfer of Target Shares on which Target has a lien; or
 - (ii) would result in a Target Shareholder holding a parcel of Target Shares that is less than a 'minimum holding' (for the purposes of this clause 5.2(a) 'minimum holding' has the meaning given in the NZX Listing Rules).

- (b) A holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares, or any interest in them, on or after 5.00pm on the Scheme Record Date otherwise than pursuant to this Scheme Plan, and any attempt to do so will have no effect and Target and BidCo shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Target must maintain the Register in accordance with the provisions of this clause 5.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) From 5.00pm on the Scheme Record Date, each entry that is current on the Register (other than entries on the Register in respect of BidCo), all statements of holding for Shares (other than statements in favour of BidCo) and all other documents of title in respect of the Shares (other than documents in favour of the BidCo) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of Target Shares relating to that entry.
- (e) As soon as possible after 5.00pm on the Scheme Record Date and in any event by 5.00pm on the first Business Day after the Scheme Record Date, Target must make available to BidCo in the form BidCo reasonably requires, details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder as shown in the Register as at 5.00pm on the Scheme Record Date.

6 GENERAL PROVISIONS

6.1 Amendments to Scheme Consideration

BidCo may increase the Scheme Consideration by written notice at any time to Target prior to the Scheme Meeting, provided that the Scheme Implementation Agreement has not been terminated in accordance with its terms prior to the receipt of such notice by Target.

6.2 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme Plan to BidCo will, at the time of transfer of them to BidCo, vest in BidCo free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Each Scheme Shareholder is taken to have warranted to BidCo on the Implementation Date that all of their Scheme Shares, (including any rights and entitlements attaching to those shares) which are transferred under this Scheme Plan will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Target Shares to BidCo together with any rights and entitlements attaching to those shares.

6.3 Authority given to Target

Each Scheme Shareholder, without the need for any further act:

- (a) on the date which is the later of:
 - (i) the Final Orders Date; and
 - (ii) the date on which Target announces to NZX that the OIO Condition has been satisfied,

irrevocably appoints Target and each of its directors (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Guarantor and BidCo (but without limiting each Scheme Shareholder's right to itself enforce the Deed Poll); and

- (b) on the Implementation Date, irrevocably appoints Target and each of its directors (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it,

and Target, for itself and on behalf of each of its directors, accepts each such appointment. Each such attorney and agent, may sub-delegate its functions, authorities or powers under this clause 6.3 to one or more of Target's officers.

6.4 Binding effect of Scheme

- (a) The Scheme binds:
 - (i) Target;
 - (ii) Guarantor;
 - (iii) BidCo; and
 - (iv) all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on the Scheme, did not vote at the Scheme Meeting, or voted against the Scheme at the Scheme Meeting).
- (b) In the event of any inconsistency, this Scheme Plan overrides the constitution of Target.

6.5 End Date

The Scheme will become void and be of no further force or effect if it does not become Unconditional on or before the End Date (other than any provision of the Scheme or this Scheme Plan relating to the repayment to BidCo of any Funds deposited in accordance with clause 2 and the interest thereon (less bank fees and other third party charges directly in connection with the account)).

6.6 Target Obligations

To the extent that any provision of the Scheme or this Scheme Plan imposes any obligation on Target that continues or arises after the implementation of the Scheme, such obligation may instead be performed by any successor or related company of Target, in which case the obligation will be satisfied as if performed by Target.

6.7 Guarantee

- (a) Guarantor guarantees, as primary obligor and not merely as surety, the due and punctual performance by BidCo of all its obligations under this Scheme Plan.
- (b) Guarantor is not to be discharged, nor are the Guarantor's obligations to be affected, by any matter or thing which, but for this clause 6.7(b), would or might have discharged the Guarantor or affected its obligations, including:
 - (i) the giving of time, credit or other indulgence or concession to BidCo, the Guarantor or any other person; or
 - (ii) anything done, or omitted to be done, by a Scheme Shareholder or Target in the exercise or non-exercise of its right and powers; or
 - (iii) BidCo or the Guarantor or any other person being incompetent to be bound by this Scheme Plan or failing to be legally bound in whole or in part by it or the validity, regularity and enforceability of any provision of this Scheme Plan; or
 - (iv) any release, discharge, compromise, or other arrangement given to or made with BidCo, the Guarantor or any other person; or
 - (v) the dissolution of BidCo, any change in the status, function, control or ownership of BidCo, or any consolidation, merger or conveyance of BidCo; or
 - (vi) any other circumstances which might otherwise constitute a legal or equitable discharge of or defence to a surety and the Guarantor remains liable irrespective of whether any present or other obligations would be enforceable against BidCo,

it being the intention of the parties that the guarantee and obligations of the Guarantor are to be absolute and unconditional in all circumstances, and neither the Scheme Shareholders nor Target are under any liability to the Guarantor in respect of the items listed in this clause 6.7(b) even though the Guarantor's rights in subrogation may be prejudiced as a result.

- (c) If any payment made by or on behalf of BidCo to Target or Scheme Shareholders is avoided by law, that payment is not to be deemed to have discharged the liability of BidCo or the Guarantor in respect of it.
- (d) The rights of Target and Scheme Shareholders under this clause 6.7 are cumulative and not exclusive of any rights provided by law and are to remain in full force until the discharge by BidCo of all of its obligations under this Scheme Plan.

6.8 Governing law

- (a) This Scheme Plan and any non-contractual obligations arising out of or in connection with it is governed by the law applying in New Zealand.
- (b) The courts having jurisdiction in New Zealand have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Scheme Plan (including a dispute relating to any non-contractual obligations arising out of or in connection with this Scheme Plan) and the parties irrevocably submit to the non-exclusive jurisdiction of the courts having jurisdiction in New Zealand.

6.9 No liability when acting in good faith

Each Scheme Shareholder agrees that none of the directors, officers or employees of Target, BidCo or the Guarantor, will be liable for anything done or omitted to be done in the performance of the Scheme in good faith.

7 DEFINITIONS AND INTERPRETATION

7.1 Definitions

In this Scheme Plan:

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Auckland;

Companies Act means the Companies Act 1993;

Conditions means:

- (a) the conditions set out in clause 3.1 of the Scheme Implementation Agreement; and
- (b) such other conditions made or required by the Court under section 236(1) of the Companies Act and approved in writing by Target and Guarantor in accordance with clause 3.2 of the Scheme Implementation Agreement;

Court means the High Court of New Zealand, Auckland Registry;

Deed Poll means the deed poll to be entered into by BidCo and the Guarantor in favour of the Scheme Shareholders;

End Date means:

- (a) the date that is six months from the date of the Scheme Implementation Agreement or, if extended by the Target or the Guarantor in accordance with paragraph (a) of the definition of “End Date” in the Scheme Implementation Agreement, the date that is nine months from the date of the Scheme Implementation Agreement; or
- (b) any other date agreed in writing by the Guarantor and Target;

Excluded Shares means any Target Shares nominated in writing by Guarantor to Target not less than two Business Days prior to the Scheme Record Date which are held or controlled by Guarantor or any of its associates (as that term is defined in the Takeovers Code) at 5.00pm on the Scheme Record Date;

Final Orders Date means the date on which final orders of the Court made under section 236(1) (and section 237, if applicable) of the Companies Act are granted;

FY19 means the financial year ending 30 June 2019;

Government Authority means any government, any department, officer or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity and any court;

Implementation Date means the day on which the Scheme is to be implemented, being the date five Business Days after the Scheme Record Date, or such other date as Guarantor and Target agree in writing;

Link Market Services means Link Market Services Limited

NZX means NZX Limited or the main board financial market that it operates, as the context requires;

NZX Listing Rules means the listing rules made by NZX from time to time which apply to issuers listed on the main board financial market that NZX operates and which apply to Target at the relevant time;

OIO Condition means the Condition set out in clause 3.1(a) of the Scheme Implementation Agreement;

Permitted Dividends means:

- (a) a dividend declared by Target in connection with the announcement of its FY19 half results of not more than five cents per Target Share payable out of profits for the six-month period to 31 December 2018; and
- (b) if the OIO Condition has not been satisfied on or before 30 June 2019, a dividend declared by Target of not more than five cents per Target Share in accordance with the Target's stated dividend policy as at the date of the Scheme Implementation Agreement and in respect of, and out of, the profits for the six-month period to 30 June 2019, prior to implementation of the Scheme having occurred,

in each case where the amount of the imputation credits attached to the relevant dividend complies with clauses 9.6(a) and 9.2(f)(xvii) of the Scheme Implementation Agreement. When calculating FY19 profits (including, for the avoidance of doubt, the profits for the six-month period to 30 June 2019) for the purposes of this definition, certain transactions costs incurred during the applicable six-month period of FY19 will be excluded from the determination of FY19 profits for the relevant six-month period;

Register means the register of Target Shares maintained by Link Market Services on behalf of Target;

Registered Address means, in relation to a Target Shareholder, the address shown in the Register as at 5.00pm on the Scheme Record Date;

Scheme means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under Part 15 of the Companies Act and approved by Guarantor and Target in writing;

Scheme Consideration means NZ\$1.60 in cash in respect of each Target Share held by a Scheme Shareholder as at 5.00pm on the Scheme Record Date, as reduced by the per Target Share value of any other dividend the record date for which falls between the date of the Scheme Implementation Agreement and the Implementation Date other than a Permitted Dividend;

Scheme Implementation Agreement means the scheme implementation agreement dated 14 December 2018 between Guarantor and Target;

Scheme Meeting means the special meeting of Target Shareholders ordered by the Court to be convened pursuant to section 236(2)(b) of the Companies Act in respect of the Scheme and including any meeting convened following any adjournment or postponement of that meeting;

Scheme Record Date means the date which is 5 Business Days after the later of:

- (a) the Final Orders Date; and
- (b) the date on which the OIO Condition is satisfied,

or such other date agreed between Guarantor and Target in writing;

Scheme Shareholder means a person who is registered in the Register as the holder of one or more Scheme Shares as at 5.00pm on the Scheme Record Date;

Scheme Shares means all of the Target Shares on issue as at 5:00pm on the Scheme Record Date, other than any Excluded Shares;

Target Share means a fully paid ordinary share in the capital of Target;

Target Shareholder means a person who is registered in the Register as the holder of one or more Target Shares from time to time; and

Unconditional means the coming into effect pursuant to section 236(3) of the Companies Act of the order of the Court made under section 236(1) of the Companies Act in relation to the Scheme and the satisfaction or waiver (as the case may be) of all Conditions of the Scheme.

7.2 Interpretation

In this Scheme Plan:

- (a) headings are for convenience only and do not affect the interpretation of this Scheme Plan;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Authority, as well as an individual;
- (e) a reference to a clause, is a reference to a clause of this Scheme Plan;
- (f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them (whether passed by the same or another Government Authority with legal power to do so);
- (g) a reference to a document (including this Scheme Plan) includes all amendments or supplements to, or replacements or novations of, that document;
- (h) the word includes in any form is not a word of limitation;
- (i) a reference to \$, NZ\$ or dollar is to New Zealand currency, unless denominated otherwise;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Auckland, New Zealand;
- (k) a reference to a party to a document includes that party's successors and permitted assignees; and
- (l) no provision of this Scheme Plan will be construed adversely to a party because that party was responsible for the preparation of this Scheme Plan or that provision.

7.3 Business Day

Where the day on, or by which, any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day, unless otherwise indicated.

ANNEXURE C: DEED POLL

EXECUTION VERSION

Deed Poll

relating to

a scheme of arrangement pursuant to Part 15 of the Companies Act 1993 involving Methven Limited

GWAIL (NZ) Limited

Bdco

and

GWA Group Limited

Guarantor

and

Each registered holder of Scheme Shares as at 5.00pm on the
Scheme Record Date

Scheme Shareholders

29 January 2019

BELL GULLY

AUCKLAND VI TO CENTRE 48 BROMPTON STREET
PO BOX 41971, AUCKLAND 1140, NEW ZEALAND
TEL: 011 9 616 8800 FAX: 011 9 616 8801

BELL GULLY

This Deed Poll is made on 29 January 2019

between (1) GWAIL (NZ) Limited (Bidco)

and (2) GWA Group Limited (Guarantor)

and (3) Each registered holder of Scheme Shares as at 5.00pm on the Scheme Record Date (Scheme Shareholders)

Introduction

- A. Methven Limited (**Target**) and Guarantor are parties to the Scheme Implementation Agreement.
- B. Target has agreed to propose a scheme of arrangement between Target, BidCo, Guarantor, and the Scheme Shareholders, the effect of which will be that all Scheme Shares will be transferred to BidCo and BidCo will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders.
- C. BidCo is entering into this Deed Poll for the purpose of undertaking in favour of Scheme Shareholders to pay the Scheme Consideration to Scheme Shareholders in accordance with the terms of the Scheme Plan.
- D. Guarantor is entering into this Deed Poll for the purposes of undertaking in favour of Scheme Shareholders to guarantee BidCo's obligation to pay the Scheme Consideration to the Scheme Shareholders.

It is agreed

1. Defined terms and interpretation

1.1 Defined terms

In this Deed, unless the context requires otherwise:

Final Orders means orders under section 236(1) (and section 237, if applicable) of the Companies Act in respect of the Scheme;

Scheme Implementation Agreement means the scheme implementation agreement between Target and Guarantor, dated 14 December 2018 whereby Target has agreed to propose a scheme of arrangement;

Scheme Plan means the scheme plan attached as Annexure A to the Scheme Implementation Agreement, subject to any alterations or conditions approved by Guarantor and Target in writing and which are disclosed to the Court prior to the Court making the Final Orders; and

words defined in the Scheme Plan which are not separately defined in this Deed Poll have the same meaning when used in this Deed Poll.

BELL GULLY

1.2 Interpretation

Clauses 7.2 and 7.3 of the Scheme Plan apply to the interpretation of this Deed Poll, except that references to "this Scheme Plan" are to be read as reference to "this Deed Poll".

2. Nature of this Deed Poll

2.1 Third party rights and appointment of attorney

BidCo and Guarantor each acknowledge that:

- (a) the Deed Poll is intended to confer a benefit upon, and therefore to be relied upon and enforced by, any Scheme Shareholder in accordance with its terms under Part 2, Subpart 1 of the Contract and Commercial Law Act 2017 (but not otherwise), even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme Plan each Scheme Shareholder appoints Target and each of its directors (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against BidCo and Guarantor on the date prescribed for such appointment in the Scheme Plan (but without limiting each Scheme Shareholder's right to itself enforce this Deed Poll).

Notwithstanding the foregoing, this Deed Poll may be varied by the parties to it in accordance with clause 8.2 without the approval of any Scheme Shareholder.

2.2 Continuing obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until either:

- (a) BidCo and Guarantor have fully performed their obligations under it; or
- (b) it is terminated under clause 3.2.

3. Conditions

3.1 Conditions

This Deed Poll, and the obligations of BidCo and Guarantor under it, are conditional in all respects upon the Scheme becoming Unconditional.

3.2 Termination

The obligations of BidCo and Guarantor under this Deed Poll will automatically terminate, and the terms of this Deed Poll will be of no force or effect, if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms before the Scheme becomes Unconditional; or
- (b) the Scheme does not become Unconditional before the End Date,

unless Guarantor and Target otherwise agree in writing.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then BidCo and Guarantor are released from their obligations to further perform this Deed Poll.

4. Scheme Consideration

4.1 Subject to the Scheme Implementation Agreement not being terminated and the Scheme having become Unconditional (save for the Conditions set out in clause 3.1(d) to (f) (inclusive) of the Scheme Implementation Agreement), BidCo undertakes in favour of each Scheme Shareholder to deposit, or procure the deposit of, in immediately available cleared funds, by no later than 5.00pm on the Business Day before the Implementation Date an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders as set out in the Scheme Plan, such deposit to be made into the trust account to be held and dealt with in accordance with clauses 2 and 4 of the Scheme Plan.

4.2 Subject to clause 3, BidCo irrevocably acknowledges and agrees that, subject to compliance in full by Target with its obligations under clauses 4.1 and 4.2 of the Scheme Plan, the Scheme Consideration deposited into the trust account referred to in clause 4.1 must be applied to Scheme Shareholders in satisfaction of their respective entitlements to receive the Scheme Consideration under the Scheme in accordance with the Scheme Plan.

5. Warranties

BidCo and Guarantor each warrants in favour of each Scheme Shareholder that:

- (a) it is a company or other body corporate validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into, and perform its obligations under, this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken, or will take, all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (d) this Deed Poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this Deed Poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

6. Guarantee

6.1 Guarantee

Guarantor guarantees, as primary obligor and not merely as surety, the due and punctual performance by BidCo of all of its obligations under clauses 4 and 5.

SHELL GULF

6.2 No discharge

Guarantor is not to be discharged, nor are the Guarantor's obligations to be affected, by any matter or thing which, but for this clause 6.2, would or might have discharged the Guarantor or affected its obligations, including:

- (a) the giving of time, credit or other indulgence or concession to BidCo, the Guarantor or any other person; or
- (b) anything done, or omitted to be done, by a Scheme Shareholder or Target in the exercise or non-exercise of its right and powers; or
- (c) BidCo or the Guarantor or any other person being incompetent to be bound by this Deed Poll or failing to be legally bound in whole or in part by it or the validity, regularity and enforceability of any provision of this Deed Poll; or
- (d) any release, discharge, compromise, or other arrangement given to or made with BidCo, the Guarantor or any other person; or
- (e) the dissolution of BidCo, any change in the status, function, control or ownership of BidCo, or any consolidation, merger or conveyance of BidCo; or
- (f) any other circumstances which might otherwise constitute a legal or equitable discharge of or defence to a surety and the Guarantor remains liable irrespective of whether any present or other obligations would be enforceable against BidCo.

(It being the intention of the parties that the guarantee and obligations of the Guarantor are to be absolute and unconditional in all circumstances, and neither the Scheme Shareholders nor Target are under any liability to the Guarantor in respect of the items listed in this clause 6.2 even though the Guarantor's rights in subrogation may be prejudiced as a result.)

6.3 Payments avoided by law

If any payment made by or on behalf of BidCo to Target or Scheme Shareholders is avoided by law, that payment is not to be deemed to have discharged the liability of BidCo or the Guarantor in respect of it.

6.4 Cumulative rights

The rights of Target and Scheme Shareholders under this clause 6 are cumulative and not exclusive of any rights provided by law and are to remain in full force until the discharge by BidCo of all of its obligations under this Deed Poll.

7. Notices**7.1 Manner of giving notice**

Any notice or other communication to be given under this Deed Poll must be in writing (which includes email) and may be delivered or sent by post or email to BidCo and Guarantor at:

Address: 7 Eaglehawk Place, Eagle Farm Queensland 4009, Australia

BELL GULLY

Email: RThornon@gwagroup.com.au

For the attention of: Richard Thornton

with copies (which do not constitute notice) to:

Address: Bell Gully, Level 22, Vero Centre, 48 Shortland Street,
PO Box 4199, Auckland

Email: james.cooney@bellgully.com

For the attention of: James Cooney

and

Address: Clayton Utz, Level 28, Roparian Plaza, 71 Eagle Street,
Brisbane QLD 4000 Australia

Email: alay@claytonutz.com

For the attention of: Andrew Hay

or at any such other address or email address notified for this purpose to the other parties under this clause. Any notice or other communication sent by post must be sent by prepaid ordinary post (if the country of destination is the same as the country of origin) or by airmail (if the country of destination is not the same as the country of origin).

7.2 When notice given

In the absence of earlier receipt, any notice or other communication is deemed to have been given:

- (a) if delivered, on the date of delivery; or
- (b) if sent by post, on the third day after it was put into the post (for post within the same country) or on the fifth day after it was put into the post (for post sent from one country to another); or
- (c) if sent by email, four business hours (being the hours between 8am and 5pm on a Business Day in the jurisdiction of the recipient) after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered (excluding an "out of office" automated message),

but if the notice or other communication would otherwise be taken to be received after 5.00 pm or on a Saturday, Sunday or public holiday in the place of receipt then the notice or communication is taken to be received at 9.00 am on the next day that is not a Saturday, Sunday or public holiday in the place of receipt.

7.3 Proof of service

In proving service of a notice or other communication, it is sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted either by prepaid post or by prepaid airmail or that the e-mail was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's e-mail system, as the case may be.

DEED POLL

8. General

8.1 Waiver

- (a) BidCo and Guarantor may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right in respect of the Scheme unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) For the purposes of clause 8.1(a):
 - (i) conduct includes a delay in exercising a right;
 - (ii) right means any right arising under or in connection with this Deed Poll and includes the right to rely on this clause; and
 - (iii) waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.2 Variation

- (a) Subject to clauses 8.2(b) and 8.2(c), this Deed Poll may not be varied.
- (b) Before the date on which the Final Orders are made, this Deed Poll may be varied by agreement in writing between BidCo, Guarantor and Target, in which event BidCo and Guarantor will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.
- (c) If the Court orders that it is a condition of the Scheme that BidCo and Guarantor enter into a new deed poll which has the effect of reversing any variation under clause 8.2(b), then, if BidCo and Guarantor so agree, BidCo and Guarantor must promptly enter into a further deed poll in favour of the Scheme Shareholders to give effect to the reversal of that variation.

8.3 Cumulative rights

The rights, powers and remedies of BidCo, Guarantor and Scheme Shareholders under this Deed Poll are cumulative and do not exclude any other rights, power or remedies provided by law independently of this Deed Poll.

8.4 Assignment

The rights and obligations of BidCo, Guarantor and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with at law or in equity. Any purported dealing in contravention of this clause 8.4 is invalid.

8.5 Further assurance

Each of BidCo and Guarantor must, at its own expense, do all things reasonably required of it to give full force and effect to this Deed Poll and the transactions contemplated by it.

BELL GULLY

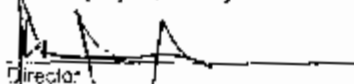
8.6 Governing law and jurisdiction

- (a) This Deed Poll and any non-contractual obligations arising out of or in connection with it is governed by the law applying in New Zealand.
- (b) The courts having jurisdiction in New Zealand have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed Poll (including a dispute relating to any non-contractual obligations arising out of or in connection with this Deed Poll) and Bidco and Guarantor each irrevocably submit to the non-exclusive jurisdiction of the courts having jurisdiction in New Zealand.

Execution

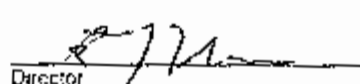
Executed as a deed poll

GWAIL (NZ) Limited by



Director

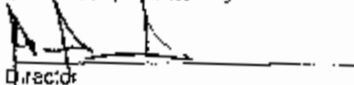
DARRYL D McDONOUGH
 Print Name



Director

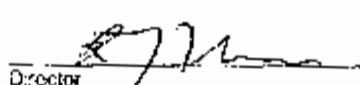
RICHARD J THORNTON
 Print Name

GWA Group Limited by



Director

DARRYL D McDONOUGH
 Print Name



Director

RICHARD J THORNTON
 Print Name

DIRECTORY

DIRECTORS

Alison Barrass	Independent Chair
David Banfield	Managing Director
Antony (Tony) Balfour	Independent Director
Shelley Cave	Independent Director
Richard Cutfield	Independent Director
Steven (Steve) Tucker	Independent Director

SENIOR MANAGEMENT TEAM

David Banfield	Group Chief Executive Officer
Carl Cheater	Head of People and Culture
Andy Chen	Regional Chief Executive Officer, Asia
Richard Evans	Chief Operating Officer, New Zealand
Andrew Grigor	Group Head of Design and Innovation
Fraser Houghton	Group Head of Financial Planning and Analysis
Matthew Jones	Group Chief Marketing Officer
Aaron Latimer	Group Director of Operations
Troy Mortleman	Chief Operating Officer – Methven Australia Pty Limited
Martin Walker	Chief Executive Officer – Methven UK Limited

SOLICITORS

Simpson Grierson

FINANCIAL ADVISER

Forsyth Barr

SHARE REGISTRAR

Link Market Services

Email:
enquiries@linkmarketservices.co.nz

Website:
www.linkmarketservices.com

SHAREHOLDER INFORMATION LINE

Between 8.30am and 5.00pm,
Monday to Friday

Telephone: +64 9 375 5998

Facsimile: +64 9 375 5990

METHVEN LIMITED

Registered office and address for service

41 Jomac Place
Avondale
Auckland 1026

Telephone: +64 9 829 0429

Email:
investorrelations@methven.com

Website:
www.methven.com/nz/corporate/investor-information

METHVEN

www.methven.com/nz/corporate/investor-information

By using **Cocoon Offset** rather than a non-recycled paper, the environmental impact was reduced by:



380

kg of landfill



56

kg CO₂ and
greenhouse gases



562

km travel in the
average European car



11,083

litres of water



615

kWh of energy



617

kg of wood