



Just Water International Limited

Annual Meeting

**Just Water International Ltd
103 Hugo Johnston Drive, Penrose**

Chairman's Address, Tony Falkenstein

11.00 am, Tuesday, 5 December 2017

Chairman's Address:

Good Morning. I am Tony Falkenstein, Chairman and Chief Executive of Just Water International Limited.

I would like to welcome you to this, the fourteenth Annual Meeting of Just Water since listing on the NZAX in 2004, and the thirtieth year since I founded the Company.

I confirm that a quorum is present and that the meeting is duly constituted. The notice of meeting has been circulated to all shareholders and I propose to take it as read.

We have just released this address to the NZX, under their continuous disclosure requirements. I have tried to cover any questions you might have within this Chairman's Address, as we are required to request a trading halt, if we cover any new ground at this meeting. Obviously this is to keep the market fully informed.

Let me now introduce my fellow directors and the Chief Operating Officer:

- Ian Malcolm, Chairman of the Audit Committee;
- Brendan Wood, an independent director, and Chairman of the Remuneration Committee;
- And Eldon Roberts, our Chief Operating Officer and CFO

I would also like to warmly welcome Phil Dash, who is a past director of the company and remains the company's second largest shareholder. Phil has especially come over from Australia for this meeting. Welcome Phil.

The first item of business today will be the receipt of the company's Annual Report, followed by a few remarks from me. There will be a full opportunity for your questions at the conclusion of my comments.

We will then proceed with the other two resolutions, which were notified in the formal Notice of Meeting being the re-election of Brendan Wood as a director, who retires by rotation, and secondly approving the reappointment of PWC as auditors.

I will then formally close the meeting and invite you to join the directors and other Just Water personnel on an informal basis.

I record that proxies have been received and are held by myself and other named persons totalling 68,976,010 shares representing 80.1% of the shares on issue.

The Minutes of the previous Annual Meeting of Just Water International Limited, held on 5th December 2016, have been available for inspection at the registered office of the Company, and are also available at this meeting.

In accordance with normal practice, these Minutes were considered by the company's board at a meeting following the last Annual Meeting, and were regarded, at that time, as a true and correct record of that meeting

It is therefore proposed to take them as read.

We come now to the resolutions set out in the Notice of Meeting.

In dealing with these, I will conduct a vote taken on the floor of the meeting by a formal show of hands.

The first item on the Agenda is the receipt of the Company's Annual Report for the year to 30 June 2017, including the auditors' report.

I will shortly deal formally with that Resolution and the others that have been notified.

However, it is appropriate that I take this opportunity to make some preliminary comments.

The Annual Report has been made available to you as shareholders and I don't intend to repeat what is contained in that document.

However, I do believe that as directors and shareholders, we can be proud of the financial position the company finds itself in today. Bank debt is less than \$2.0 million, earnings per share from the New Zealand operations has more than doubled over the last two years, as has the share price, revenue is on the increase, and the directors paid a dividend for the past financial year.



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The company has operated a Share Buyback Scheme since February 2016. We have purchased and cancelled 3,795,000 shares at an average price of 27 cents per share. Share Buy-back Schemes are a recognised way of increasing earnings per share for the remaining shareholders, and also provide a means for shareholders to have the ability to sell their shares to a ready buyer if they wish to do so.

We would like to have a broader base of shareholders, and the board will investigate ways to increase the base over the next year. This would make shares more easily tradeable.

The last 6 years of consolidation have laid the platform to look for growth opportunities, both organically, through new entrepreneurial products and concepts, which I will explain later, and through acquisition.

There has been some commentary that the NZAX will be absorbed into the NZX, although this is still only one option. We believe the NZAX should remain, and have strongly canvassed this as an option, as the NZAX already has a base of 17 members and this has only not grown due to the NZX advising they will not accept any further listing onto this exchange. I believe that we can learn from the experience of Crowd Funding platforms and that the NZAX could re-brand and reinvigorate itself.

As you know the NZX Board have finally recognised that the NXT market just simply did not make sense, as I predicted almost two years ago. I am still awaiting the bottle of champagne from the bet I made with Tim Bennett at the time, that a new Chief Executive would close it down!

All shareholders received their 2017 dividend a few weeks ago. It is not before time, but on the other hand, the directors are always concerned about maintaining shareholder

value, while looking at the future conservatively. It is a good omen that in taking this approach they have paid a dividend this year.

The Dividend Reinvestment Programme attracted 174 shareholders holding 3,004,122 shares. As a result, 128,507 new shares were issued under the DRP.

I know that some investors focus on today's share price and their own short term financial return. I repeat that Just Water is not in business for the short term – we are here for the long term, and if we focus on long term profitability, the share price will look after itself. Hopefully as investors you are also here for the long term.

It was suggested that we appoint a financial associate to “manage the share price” – this is a free market, there will be buyers and sellers, and the share price will reflect their confidence in the company or their financial need. We will not try and influence the share price, except by the results we produce

Similarly, we do not give forecasts, as the future is always uncertain. We would rather live or die on our results, and we think this is the most honest way to keep the market informed.

Shareholders are fortunate that one of our shareholders does give me prior advice of questions, so thank you Malcolm. I think most of these have been answered, or will be answered in this address, but I will comment on any that haven't.



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In terms of gender diversity, when you look at our management team we don't have an issue, but we also don't think this type of classification is relevant, at least in our company. We do have a diversity policy in which we state we do not have any bias in terms of gender, race or religion. However, we do think we need to move to more younger middle managers and senior managers where we can.

At the last Annual Meeting we showed some product concepts that we were investigating, and I will update you on each of these:

Firstly, the 10-litre water cask – in New Zealand, this is made for people who have baches, and/or go boating or camping. It is the most efficient, and convenient, way of storing water. We also did sell one container load to China, however our pricing was considered too high, and we are unwilling to reduce margins just to get market share. We will continue selling directly in the local market, and we will be giving each of you a cask to take home to tell your friends that they can buy this product directly by calling us or from our website.

Secondly, an update on Melambra Gold, our non-alcoholic Manuka Honey liqueur. This is a new category, targeting Chinese tourists through duty free stores.

As previously advised, this is planned to be launched in the first 6 months of 2018. This is a new category, so totally a punt; all costs to date have been expensed as they have been incurred.

The other product concepts we showed you earlier were the Cask Chiller and the mini chiller.



Our Malaysian manufacturer, who was to be our partner in this product, wasn't confident that these products would have sufficient demand in international markets, so we have abandoned these product design ideas.

Finally, we have previously announced we are actively looking for acquisitions. We have found it difficult to find businesses where the owner is ready to sell the total business, so we have changed our acquisition strategy to move more to an investment strategy.

This means we are willing to buy a majority holding in a company with the same corporate values as Just Water with the added advantage that the vendor remains in the business with a significant equity stake so does not reduce their commitment to the ongoing success of the business.

We are discussing one such investment now, and will advise shareholders and the market if there is anything concrete to report. We actively have feelers out with brokers and other parties looking for opportunities, but if any shareholders know of companies that require investment, please let me know.

I am writing to the Minister of Health, David Clark, suggesting that a penalty tax be applied to products that use excessive added sugar content. New Zealand is the third fattest nation in the world, and Type 2 diabetes is an epidemic. This is not only a health issue, but also a financial issue, as this epidemic will take an increased % of the Government budget. I do recognise that many consumers are addicted to sugar, and they cannot be expected to reduce their sugar intake cold turkey.

My proposal is that anything with over 10% added sugar be taxed at 25%, reducing by 1% a year to 4% added sugar over 6 years. This gives consumers time to reduce their sugar addiction and manufacturers time to reformulate their products.

Normally I would think it is up to the individual to make their own choices, but sometimes Government has to step in when choices are made that affect other members of the community, in this case, the taxpayer.

Once seat belt legislation was introduced, the rate of serious accidents decreased markedly. This use of legislation to change consumer behaviour is no different.

You might ask “who are you to make statements on behalf of shareholders”. I think it is important that CEO’s of public companies do take a stand on issues that are important to our economy, and you can expect me to make others over time.

I wish to thank my fellow directors, each of whom has made an excellent contribution to Just Water’s governance. We believe we can be more agile with a small board and have called on specialist help when we needed it. As noted earlier, Brendan Wood is retiring by rotation, and offers himself for re-election.

It is important that we continued to ensure that the Company’s governance structures met the highest standards, and I am confident that I couldn’t have 2 better directors than Ian & Brendan to keep me on track, and to make sure that good governance standards are maintained.



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Since this Board was appointed in January 2015, I have been serving the shareholders as both Chairman and CEO. I think in the circumstances this was the most appropriate approach. Now that the Company is on an even keel, is this the best structure? Over the next year, the board will discuss whether it may be more appropriate to appoint a new independent Chairman.

I am pleased that our auditors have given us an unqualified audit report and also that we complied with all bank covenants at 30 June 2017.

In terms of the 2018 year, we are almost through the first half of the year. After 5 months, our revenue is tracking slightly higher than the previous year, and EBIT is also above budget and last year.

Finally, I want to thank the entire Just Water team, for their efforts over the year. We were a finalist in the recent Westpac awards for Innovation, and last week it was announced that we are a finalist in the 2017 IBM Best Workplace Programme. 173 Organisations, employing a total of over 35,000 employees participated in the programme, so this is a big feather in our cap.

Over 75% of our staff completed the Best Workplace questionnaire and these were the major highlights:

- 91% believe in what this organisation is trying to accomplish;
- 98% believe they are working for a successful organisation;
- 85% were overall satisfied with their job.

Again, we don't just have the right management team on the bus, we have a total bus load of the right people.

We will now move on to the formal business and resolutions which were advised in the Notice of Meeting;

Resolution 1

As I have indicated, *Resolution 1* is to receive the Annual Report, (which includes the Auditors' Report), for the year ended 30 June 2017.

Resolution 1 is to receive the Annual Report as per the notice of Meeting.

Resolution 2

Resolution 2 relates to the reappointment of Auditors and their Remuneration.

The Resolution is: "That the company's board of directors be authorised to fix the auditors' remuneration".

Resolution 3

Resolution 3 relates to the election of a director – Brendan Wood has made himself available for re-election.

The Board is recommending that he be appointed to the board.

The Resolution is: That Brendan Wood be elected as a director of the Company.

6. General Business

Is there any General Business or are there any further questions?



Ladies and Gentlemen: That concludes this Annual Meeting; and I formally declare the meeting closed.

Thank you all for attending, and I invite you to join us for a cup of tea, or better still, Just Water behind us.