



**GWA International Limited**  
ABN 15 055 964 380

28 October 2010

**ASX On-Line**  
Manager Company Announcements  
Australian Securities Exchange

Dear Sir

**Chairman's and Managing Director's Address to Shareholders**

In accordance with Listing Rule 3.13, we enclose the following documents associated with the GWA International Limited Annual General Meeting to be held at 10:30 today:

1. Media Release
2. Chairman's Address
3. Managing Director's Address

Yours faithfully

**R J Thornton**  
**Executive Director**



**GWA International Limited**

ABN 15 055 964 380

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**Media Release**

**Sound trading in first quarter for GWA strengthens full year profit outlook in line with expectations**

- **Improvement in first quarter trading EBIT reflecting increased dwelling completions**
- **Outlook for full year revenue and earnings in 2010/11 consistent with current broker consensus forecasts**
- **Strengthening Australian currency will provide short term benefit but increases competitive pressures of local manufacturing**
- **Increased demand due to Government spending on social housing and BER offsets the negative impact of lower sales of environmental water heating products**
- **Recent acquisition, Brivis Climate Systems, performing at the high end of expectations**

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At today's Annual General Meeting of GWA International Limited, Managing Director, Mr Peter Crowley, reported that the Group had recorded a good start in the first quarter.

Mr Crowley said "Based on first quarter trading we expect an improvement in full year revenue and earnings in 2010/11 consistent with current broker consensus forecasts. In addition to improved market conditions we are benefiting from the contribution of the recent acquisition, Brivis Climate Systems, which is performing at the high end of expectations."

There has been a continuing sharp reduction in sales of environmental hot water products following the wind back in government rebates on these products but this is offset by higher sales from increased construction activity due to Government stimulus spending on social housing and the Building the Education Revolution program (BER).

"We are comfortable with our previous views on the level of dwelling completions in 2010/11 of around 165,000 and the fundamentals for the renovation and replacement markets are sound. These are the key drivers of demand for GWA's products.

"We are continuing to improve our underlying business with increased revenue through market development and ongoing cost reductions. The higher Australian currency provides a short term gain with lower sourcing costs, but this is partially offset by higher commodity costs. The stronger currency reinforces the need for ongoing efficiency improvements to sustain the competitiveness of our local manufacturing." he added.

“It is a good start to the year and we are continuing to look at ways to take advantage of the improved domestic outlook by growing the business both organically and through acquisitions,” concluded Mr Crowley.

For further information call:

Peter Crowley  
GWA International Limited  
(07) 3109 6000

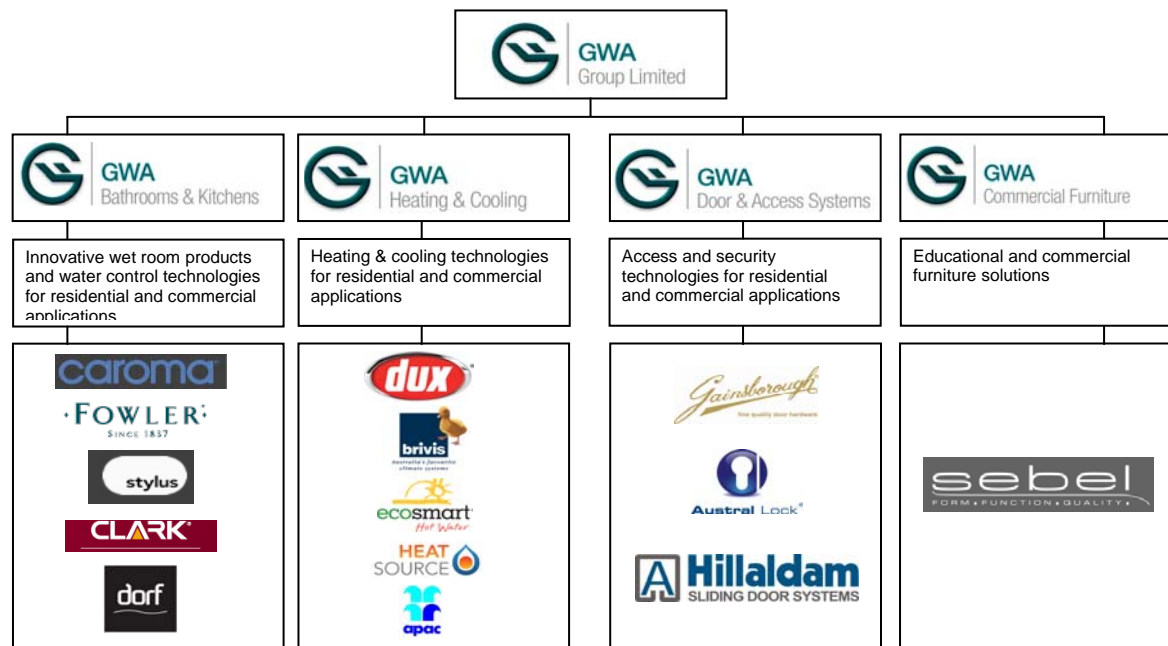
Tim Allerton  
City PR  
(02) 9267 4511

**Chairman's Address**  
**GWA International Limited**  
**Annual General Meeting**  
**28 October 2010**

Shareholders, it is a pleasure for me to address this Annual General Meeting for the first time as Chairman.

On reflection it is difficult to believe that only 12 months ago we were facing extreme uncertainty in the financial markets and future prospects for the Australian economy. Some uncertainties still exist, particularly in relation to high unemployment rates and government debt in the USA and Europe, but thankfully GWA has successfully navigated the market uncertainty of the past 2 years. Your Board is now focussed on positioning the Company to maximise benefits from the improved outlook for the Australian economy.

Our overarching strategy is to broaden the industry segments in which we compete in the Australian Building Fixtures and Fittings sector. This strategy was demonstrated during the year by the divestment of two non-core businesses in Rover Mowers and Wisabeh, and the acquisition of Brivis Climate Systems. The Brivis acquisition is a good example of our strategy as it has expanded Dux into a broader based hot water and ducted climate systems business. The proposed change of name to GWA Group Limited recognises the focus on the core Australian building fixtures and fittings businesses and is consistent with the Company's future growth plans.



The Company has three core operating segments comprising Heating and Cooling, Bathrooms and Kitchens, and Door and Access Systems and we will continue to look for growth opportunities by accessing and developing new markets and products in these segments. This will be achieved through product development, new distributorships and acquisitions. Our Commercial Furniture business is currently trading very profitably but this business remains non-core and we will continue to test if this business has greater value under different ownership.



**Results –Year to 30 June 2010**  
**- From Continuing Operations Including Brivis**

\$Million	Full Year <u>2010</u>	Full Year <u>2009</u>	Change
Sales Revenue	<b>656.8</b>	613.0	+7.1%
Trading EBIT	<b>94.5</b>	86.4 <sup>(1)</sup>	+9.5%
EBIT Margin	<b>14.4%</b>	14.1%	
Trading Profit after Tax for Continuing Businesses	<b>55.4</b>	50.6	+9.6%
Net Profit after Tax Incl Discontinued Businesses	<b>48.5</b>	48.3	

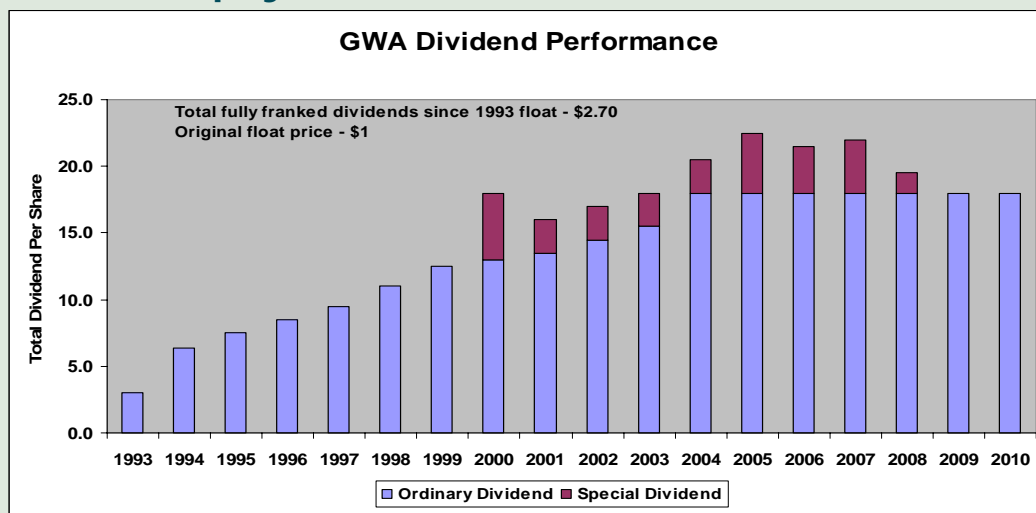
(1) Excludes restructuring charges

The Group achieved a trading profit from continuing businesses after tax of \$55.4 million in the 2009/10 year, an increase of 10% on the prior year’s performance following a 7% increase in sales revenue. Net profit after tax of \$48.5 million was flat after adjusting for the discontinued Rover and Wisa businesses. Trading earnings before interest and tax of \$94.5 million represented a 10% increase on the prior year’s performance due to improvements in underlying demand, market development activities, acquisitions and ongoing business improvement. We believe this is a credible performance given the volatility of our markets during the year and reflects the underlying strength of our businesses.

Another positive feature for the year has been the Group’s strong operating cash flow. Prudent management of our asset portfolio and working capital has meant that net debt has increased by only \$21 million during the year despite funding the \$48.6 million Brivis acquisition. Our debt of \$176 million is well covered by total bank facilities of \$268 million. This strong financial position enabled the directors to maintain the ordinary fully franked dividend for the year at 18.0 cents per share.



**GWA has strong track record of fully franked dividend payments to shareholders**



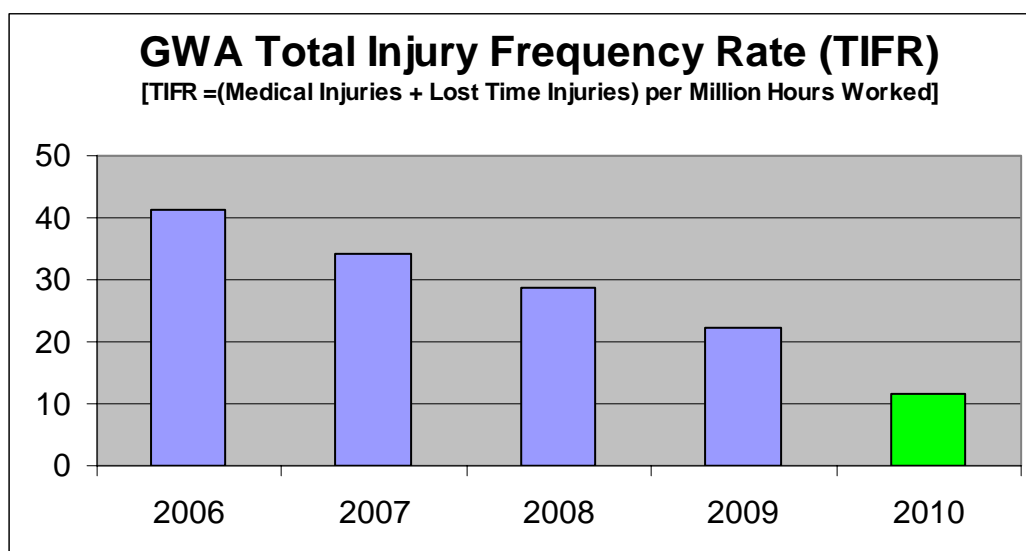
The directors understand the importance of fully franked dividends to shareholders as demonstrated by the Company's track record of dividend payments and we expect that the same fully franked dividend payout of 18.0 cents per share will be maintained in the year ahead. The Dividend Reinvestment Plan remains suspended as the Company has access to sufficient funding to support its requirements.

The Managing Director, Mr Peter Crowley, will expand on our strategic priorities and review the Company's operational performance at the conclusion of my address today.

In addition to delivering the strategy and financial results, the Board is committed to the Company's social responsibility through reducing energy, water and waste across the Group's operations. We are proud of the contribution our innovative products make to improvements in water and energy efficiency and we continue to invest over 1% of revenue per annum to advance further product innovation to enhance our competitive advantage.

Another area of social responsibility is transparency of executive remuneration. Our Remuneration Report has been expanded this year to address the comments raised on last year's report and further improve information available to shareholders. The Board takes advice from an external remuneration consultant in setting remuneration levels for executives and we are satisfied that the current mix of fixed remuneration and performance incentives is appropriate.

Our executive and management incentive scheme covers approximately 16% of total employees with total short term incentive payments for the year representing approximately 5% of trading earnings before tax. The Board believes this is a reasonable balance of reward for management and shareholders and is necessary to ensure we are market competitive to retain our high quality executive and management team.



Our business is only as good as our people and we aim to provide a safe and rewarding environment in the workplace. We are very pleased with progress in safety performance resulting in a 48% reduction in the total injury frequency rate during the year as outlined on the screen. This is the fifth consecutive year of improvement and represents a step change in achieving our aim for an injury free work environment.

We are also continually working to ensure we attract and retain the best management possible. In recognition of changes in community expectations for work life balance, we have introduced a number of policies which provide flexibility in work arrangements. It is a fundamental point in the discussion around board and management diversity that females are encouraged to continue in the workplace and develop the skills and knowledge to advance in the Company. These policies are aimed at creating a work environment which will support this aim.

The Board is undergoing transition and invited me to become Chairman following Barry Thornton's retirement. My priority is to ensure we have the best talent available on the Board with the diversity of skills necessary to oversee and guide the Company.

Changes to the Board include the retirement of Jim Kennedy last October, our Chairman of the last 17 years, Barry Thornton, in June of this year and David Barry at this Annual General Meeting. All these directors have been on the Board since the Company was listed in 1993 and have made an invaluable contribution to the success of GWA over this period. I particularly wish to acknowledge Barry Thornton for his leadership as Chairman of the Board over this period and I know I speak on behalf of all shareholders in wishing each of these directors well in their retirement.

These times also provide opportunities for renewal and in the past year we have benefited from the skills and contributions of Darryl McDonough and Richard Thornton who joined the Board in 2009. I am also pleased to confirm the appointments of John Mulcahy and Peter Birtles as Non-Executive Directors effective from 24 November 2010.

John Mulcahy has a PHD in engineering from the University of Sydney. He is the former CEO and MD of Suncorp with extensive experience in financial services and the property industry including 14 years at Lend Lease.

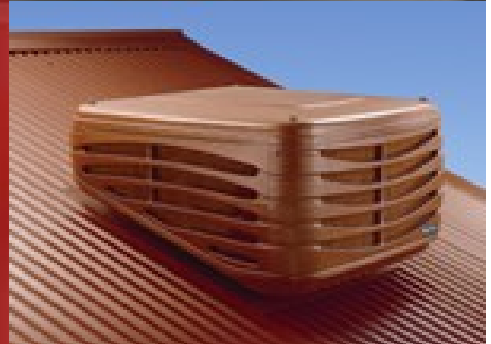
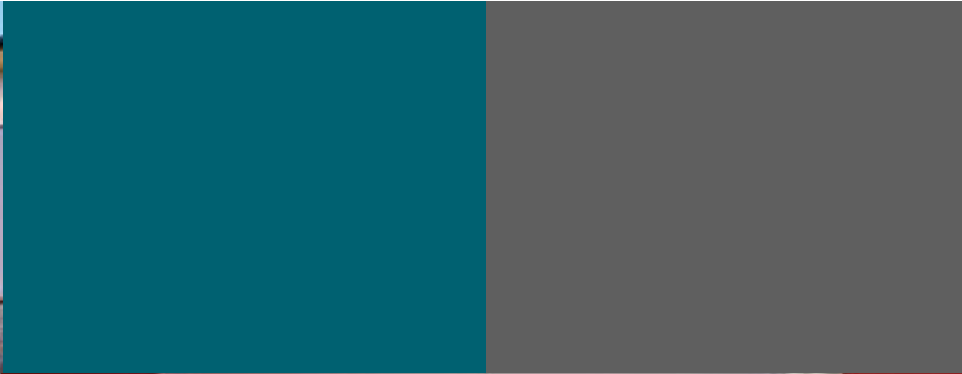
Peter Birtles has a Bachelor of Science degree and is a Chartered Accountant. He is the current CEO of Super Cheap Auto Group with extensive experience in finance, operational and information technology roles and is experienced in retail and supply chain management.

Both John and Peter have been appointed following an extensive director selection process and are both highly experienced public company directors and I look forward to their contributions to the Company.

In closing, I would like to thank Peter Crowley, his management team and all staff for their efforts in achieving the improved financial result in the 2009/10 year, and look forward to a further improvement in performance in the 2010/11 year.

I would also like to thank you, the shareholders, for your continued support.

I would now like to invite the Managing Director to the podium to provide a review of operations for the 2009/10 year, and an update on first quarter trading for the current financial year and outlook for the full year.



GWA International Limited







GWA International Limited

**Presentation to the  
18<sup>th</sup> Annual General Meeting  
28 October 2010**

Presented by:

**Peter Crowley**  
Managing Director



- **GWA's Growth Strategy**
- **2009/10 Financial Year Results**
- **Major Demand Drivers**
- **2010/11 Financial Year Outlook**



- **GWA's Growth Strategy**





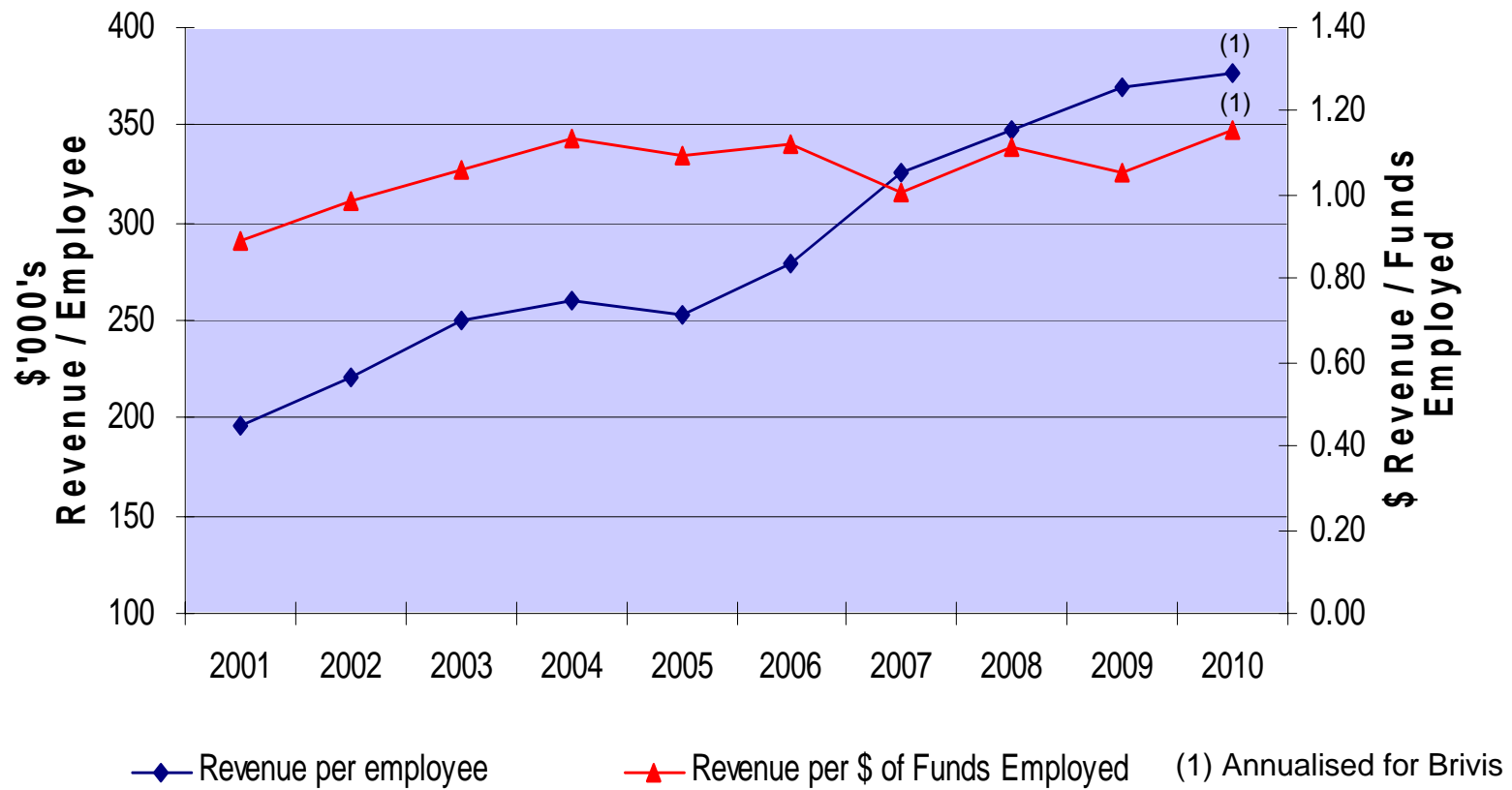
## **GWA's Growth Strategy**

Focussed on driving:

- Organic Growth – investing in R & D, people, systems and supply chain to enhance our customer value proposition and business efficiency
- Inorganic Growth – pursuing acquisitions which add scale to the Group in product and market adjacencies and which meet our financial and strategic criteria



## IMPROVED CAPITAL AND LABOUR EFFICIENCY UNDERPINS OUR COMPETITIVENESS





## **Our Strategy Has Led to Redefining our Businesses**

- GWA has historically defined its businesses by the brands it markets
- This constrains the way we look at the markets where we can grow
- Our core businesses are now defined as
  - GWA Bathrooms and Kitchens
  - GWA Heating and Cooling
  - GWA Door and Access Systems
- This strategy more than doubles the market size in which we will compete and grow the business in the future



# GWA International Limited



GWA  
Group Limited



GWA  
Bathrooms & Kitchens

Innovative wet room products and water control technologies for residential and commercial applications



GWA  
Heating & Cooling

Heating & cooling technologies for residential and commercial applications



GWA  
Door & Access Systems

Access and security technologies for residential and commercial applications



GWA  
Commercial Furniture

Educational and commercial furniture solutions





## **GWA is Well Positioned to Pursue Inorganic Growth Opportunities**

- Capacity to fund acquisitions up to \$100 million through debt and \$300-\$400 million through debt plus equity
- We have clear financial and strategic criteria for growth which underpins our work
- Four transactions in past 18 months have honed execution skills
- Focus is on growth through product (eg. Austral Lock) and market adjacencies (eg. Brivis Climate Systems)





## Major Successes and Challenges for the Year

- √ Delivering on non-core business rationalisation
  - Sale of Rover Mowers and Wisa sanitaryware
- √ Delivering on acquisition strategy
  - Acquired Brivis Climate Systems (and APAC)
- √ Business improvement initiatives accelerated in second half of year
- √ Sales benefit from continuing market development activities
- √ Increased sales to Gov't BER programme
- X Volatility and reduction in sales of environmental water heating products



- **2009/10 Financial Year Results**





## Major Operational Results

- Results are presented for continuing operations
- Sales up by 7% (4% on like for like basis excluding Brivis)
- Trading EBIT of \$94.5 million up 9.5%
- Increased operating cash flow of \$116 million reflects strong working capital management
- Labour reductions picked up in second half to improve productivity
- Step change in safety performance
- Environmental rehabilitation largely complete on all known sites
- Core debt facilities extended



## Results –Year to 30 June 2010

### - From Continuing Operations Including Brivis

	Full Year	Full Year	
\$Million	<u>2010</u>	<u>2009</u>	Change
Sales Revenue	<b>656.8</b>	613.0	+7.1%
Trading EBIT	<b>94.5</b>	86.4 <sup>(1)</sup>	+9.5%
EBIT Margin	<b>14.4%</b>	14.1%	
Trading Profit after Tax for Continuing Businesses	<b>55.4</b>	50.6	+9.6%
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(1) Excludes restructuring charges



## Results –Year to 30 June 2010

### Segment Performance – Building Fittings comprising Door and Access Systems and Bathrooms and Kitchens

\$Million	2010	2009	Change
Sales Revenue	420.0	403.7	+4.1%
Segment Result	88.8	78.4	
Restructuring costs		3.4	
Trading EBIT	88.8	81.8	+8.6%
EBIT Margin	21.1%	20.3%	



## Results –Year to 30 June 2010

### Segment Performance – Heating and Cooling

\$Million	2010	2009	Change
Sales Revenue	<b>161.5<sup>(1)</sup></b>	153.3	+5.4%
Trading EBIT	<b>14.6</b>	15.1	-3.7%
EBIT Margin	<b>9.0%</b>	9.9%	

Growth in Heating and Cooling is a 2-3 year strategy driven by efficiency gains plus new product and market development

(1) Includes 3 months Brivis sales of \$19.5 million



## Results – Year to 30 June 2010

### Segment Performance – Furniture

\$Million	2010	2009	Change
Sales Revenue	<b>74.8</b>	56.1	+33%
Trading EBIT	<b>5.7</b>	2.0	+182%
EBIT Margin	<b>7.6%</b>	3.6%	

Strong demand from Government Building  
Education Revolution (BER) programme

High sales expected to continue until second half  
2010/11



## Financial Metrics Remain Strong

	2010	2009
Net Debt (\$M)	176.0	155.0
Gearing (Net Debt / Debt Plus Equity)	29%	27%
Leverage (Net Debt / EBITDA)	1.5	1.5

### Current Debt Maturity Profile

2012/13	130.0
2013/14	137.5





## Ordinary Dividend Maintained

\$Million	2010	2009
Trading profit after tax	55.4	50.6
Trading earnings per share (excluding restructuring)	18.5¢	17.9¢
Reported earnings per share	16.1¢	16.9¢
Ordinary Dividend		
▪ Interim	9.5¢	9.5¢
▪ Final	8.5¢	8.5¢
▪ Total (fully franked)	<u>18.0¢</u>	<u>18.0¢</u>

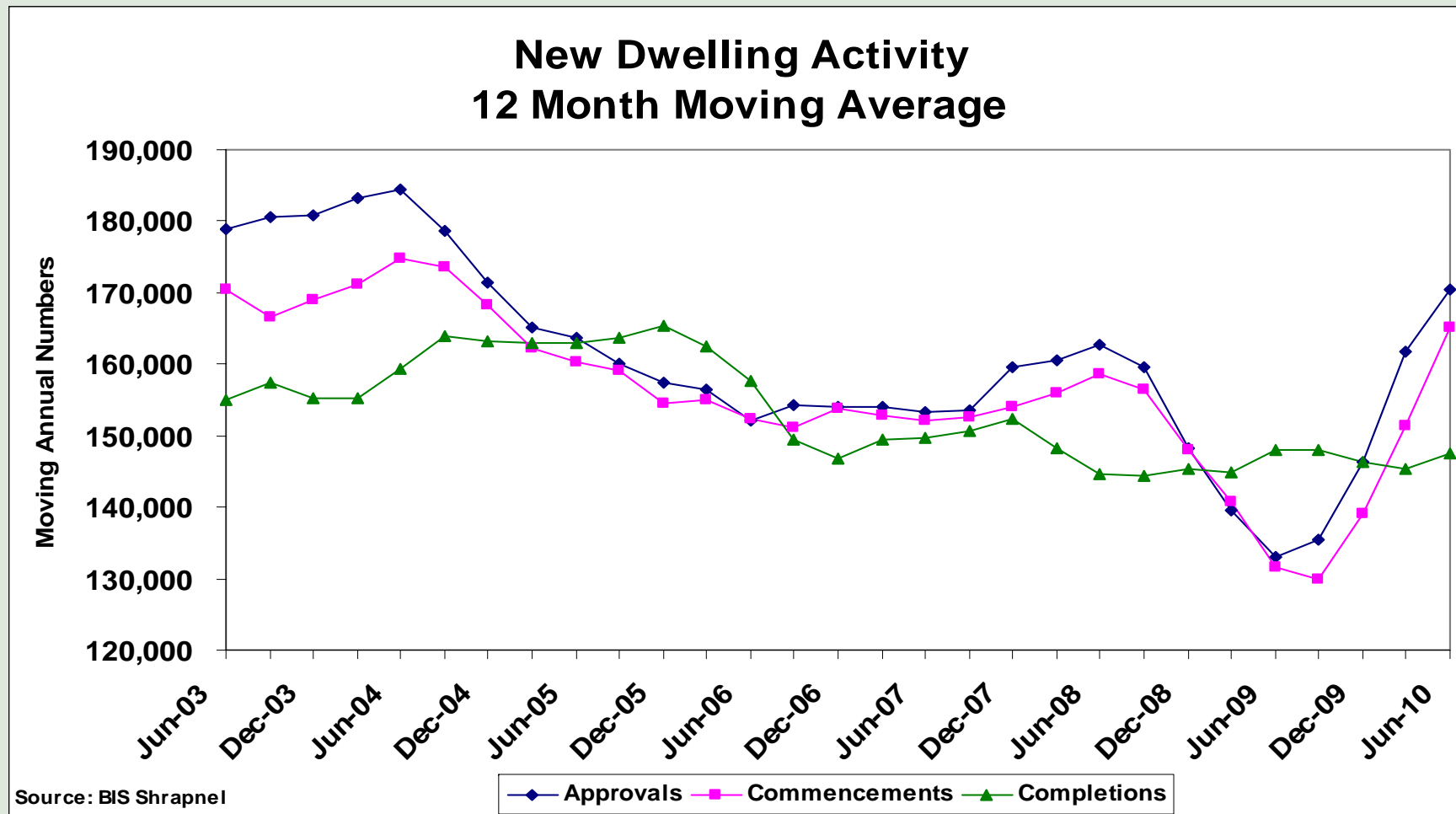


- **Major Demand Drivers**



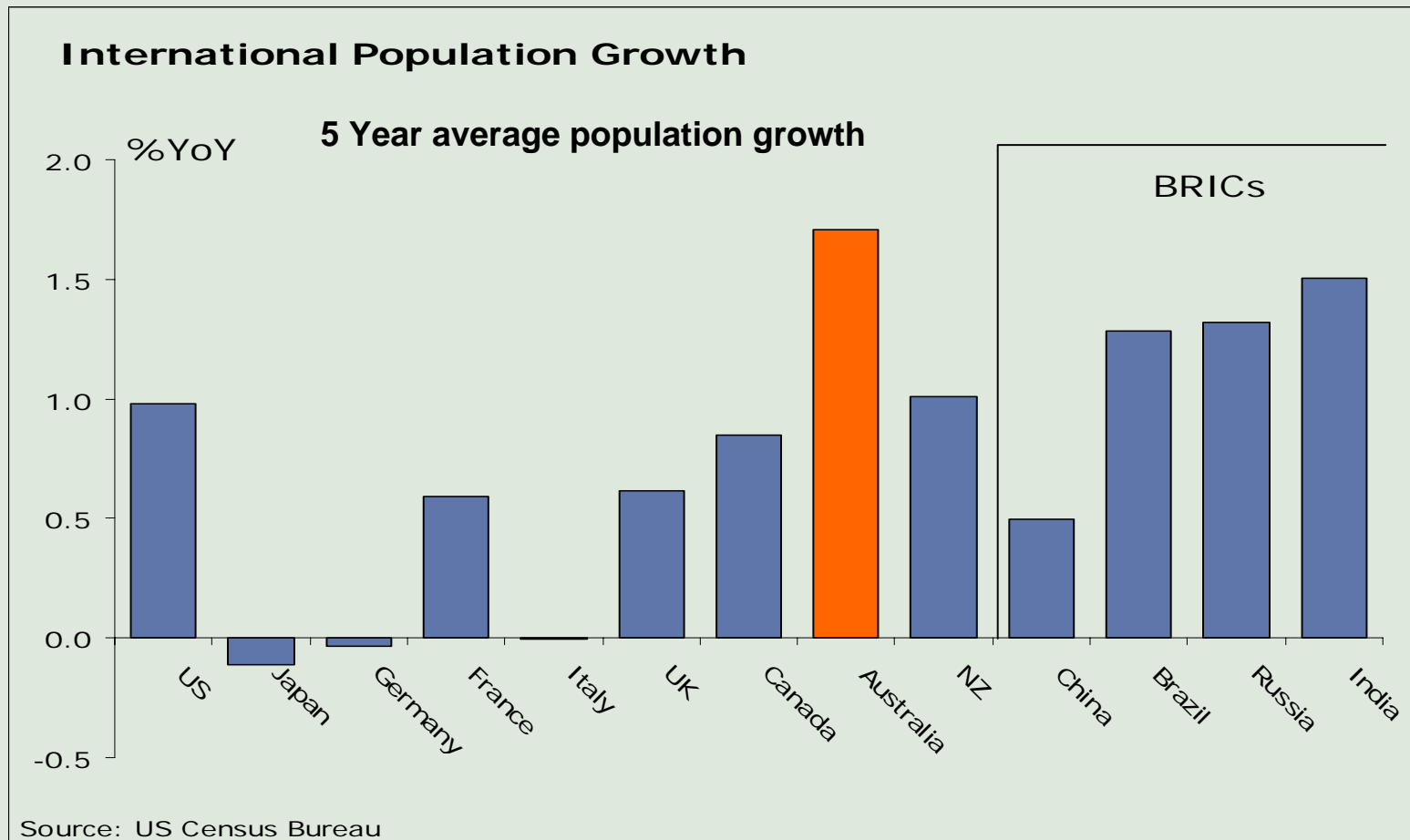


## Underlying Improvement in Building Approvals Will Lead to Higher Completions in 2009/10





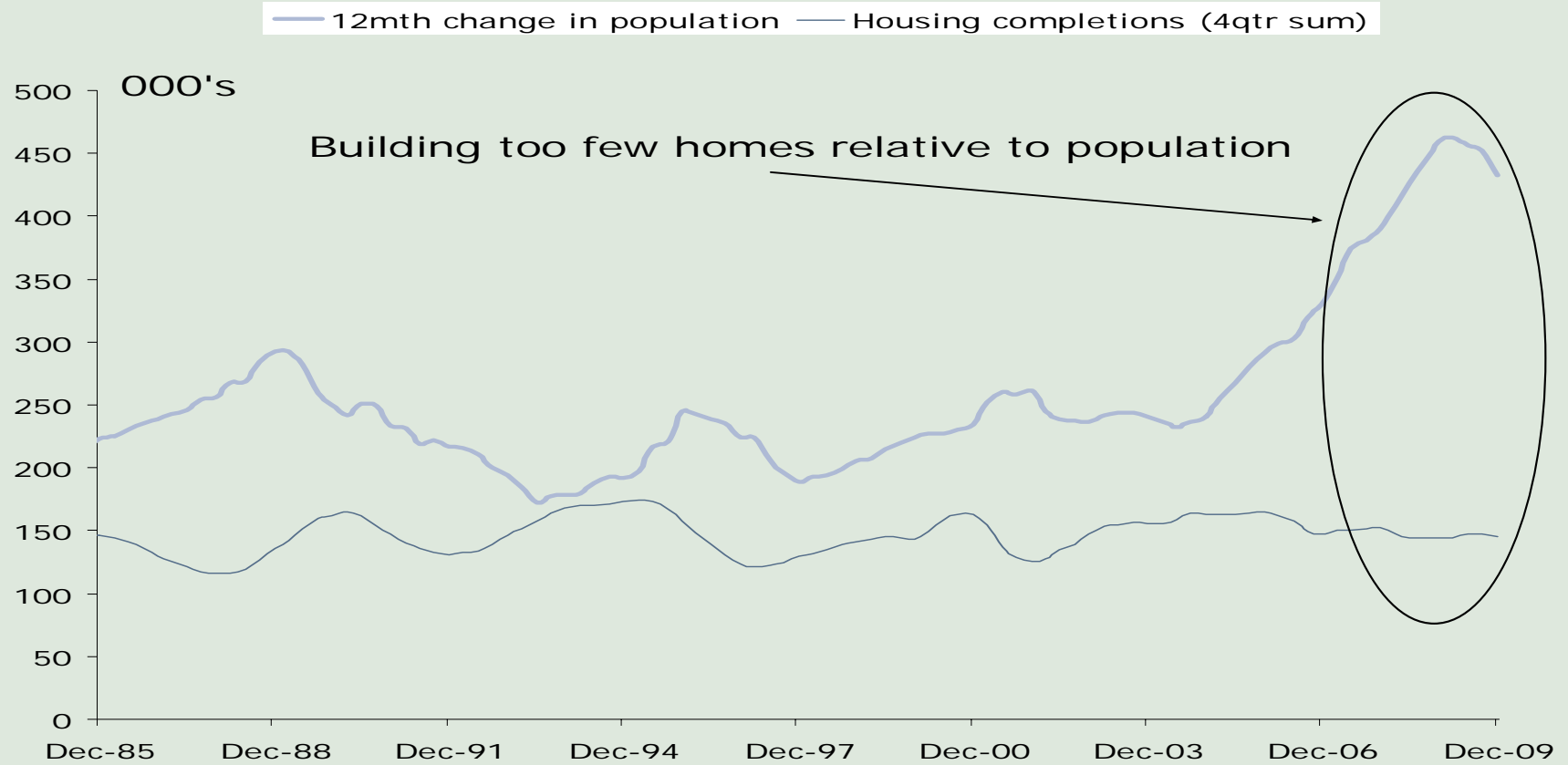
## Australian Population Growth Outstrips All Major Developed and Developing Countries





## There Has Been a Severe Shortfall in Housing Construction

### Aust Population v Housing Completions



Source: GS&PA Research Estimates



## **Fundamentals for the Renovation and Replacement Market are Strong**

- Higher trend in persons per household leading to kitchen and bathroom upgrades
- Increasing house prices is encouraging renovations
- Alteration and additions spending has returned to pre GFC levels



## **2010/11 Activity Levels Are Expected To Be Above 2009/10**

- Level of dwelling commencements accelerated in 2009/10
- First home buyer and Government housing is being replaced by up-graders and investors
- Non residential construction is underpinned by Government BER and Health which is slowing
- Downturn in commercial construction is expected to continue
- Renovation and replacement activity levels are improving
- History shows that trade labour constraints limit completions to 160,000-170,000 starts pa



- **2010/11 Financial Year Outlook**

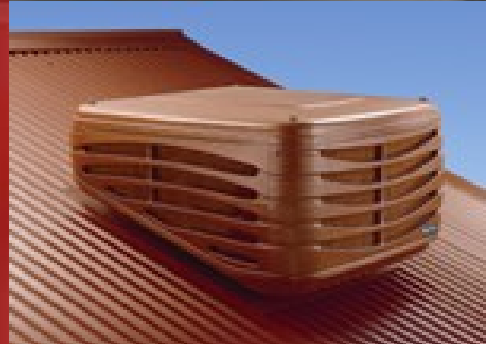
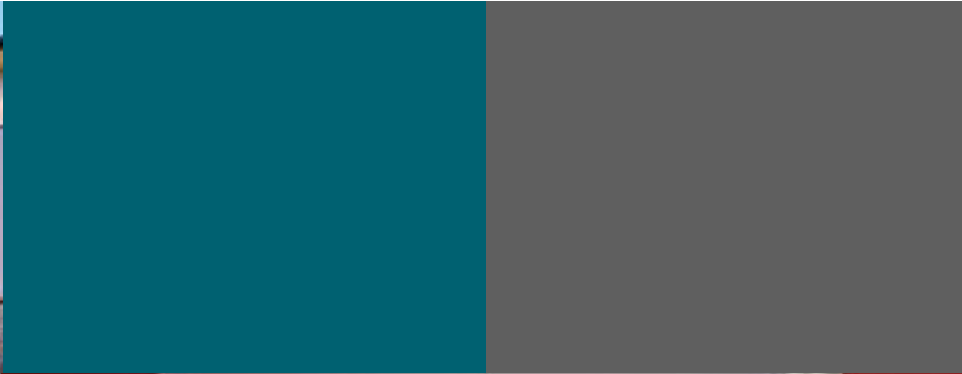






## 2010/11 Outlook

- Full year benefit from Brivis acquisition will positively impact results
- Underlying demand expected to increase 5–6%
- Results for first quarter have been strong except for the expected reduction in environmental hot water products
- 2010/11 revenue and earnings outlook consistent with broker consensus
- Dividend payout will be maintained at current levels absent unforeseen circumstances



GWA International Limited

