



GWA
Group Limited

ABN 15 055 964 380
t 61 7 3109 6000
f 61 7 3852 2201
www.gwagroup.com.au

Level 2, HQ (South Tower)
520 Wickham Street
Fortitude Valley
QLD 4006

GPO Box 1411
Brisbane QLD 4001

20 October 2011

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Trading Update

GWA Group Limited, Australia's leading supplier of fixtures and fittings to households and commercial premises, today provides a trading update on market conditions and key strategic initiatives for the three months to 30 September 2011.

Revenue from continuing operations for the three months to 30 September 2011 was flat compared with the same period last year, with a 10% reduction in like for like sales offset by the inclusion of sales from the recently acquired Gliderol garage door business.

Previous guidance for the current full year was provided for a reduction in underlying sales of 3% to 4% on a like for like basis, with the decline skewed towards the first half of the year. However the reduction in the first quarter is greater than expected.

Market conditions have deteriorated and first half year sales are expected to be 8% to 10% below the comparable prior period on a like for like basis. Total sales for the half year, including Gliderol, will be similar to last year and trading EBIT is expected to be down 5% to 10% for continuing operations.

Reasons for the decline in sales being greater than expected are largely attributed to the following key areas:

- New South Wales was expected to show some improvement in housing activity following the recent state election, but sales have continued to deteriorate;
- Environmental water heating sales in the Dux business are down 40%, due to a shift back to lower valued traditional electric and gas storage water heaters;
- The absence of government stimulus spending is having a greater impact than expected; and
- The renovation market has declined in line with other areas of discretionary spending.

We are working on targeted market initiatives and accelerating cost reductions to offset the market decline and will provide full year guidance at our half year results announcement in February. Operating cash flow has remained strong and we do not see any circumstances which will impact our dividend policy to maintain ordinary dividends at 18 cents per share for the year.

Discontinuing Businesses

The sale of the Sebel Commercial Furniture business was completed on 30 September as previously indicated. Trading results for the first three months and loss on sale will be reported as a discontinued operation for the half year. Proceeds from the sale of \$23 million are slightly less than previously reported due to lower working capital at completion date.

The decision has also been made to exit our Caroma North American business so we can focus on our core Australian Building Fixtures and Fittings businesses. This business is of small scale and has been marginal in recent years. The exit will be completed early in calendar 2012 and is expected to release approximately \$5 million in working capital to reduce debt.

A net loss after tax of between \$7 to \$8 million will be reported as discontinued operations for the half year including the impact of divesting both Sebel and North America.

Restructuring

The restructuring activities announced in August are progressing to plan. The Wetherill Park vitreous china plant moved onto a single shift earlier this month while the Gainsborough plating and die casting operation at Blackburn will cease operation in May. We expect a 5% to 6% reduction in our total workforce by December 2011 with the previously forecast 8% reduction to be achieved by June 2012.

The sale of our Coburg warehouse in Melbourne and Norwood factory in Adelaide are also progressing to plan and these are expected to be completed by early 2012. It is anticipated that these property sales will largely offset the cash flow and after tax profit impact of the restructuring activities.

Other

GWA remains focussed on pursuing options to grow its core Australian Building Fixtures and Fittings businesses. The decline in market conditions reflects the business cycle rather than an underlying weakness in the business and with its strong balance sheet, growth options can be pursued whilst maintaining GWA's dividend policy.

For further information call:

Peter Crowley
GWA Group Limited
(07) 3109 6000

Tim Allerton
City PR
(02) 8916 4848

