



**GWA**  
Group Limited

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Fortitude Valley  
QLD 4006

GPO Box 1411  
Brisbane QLD 4001

25 October 2011

**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 Group 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





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## Media Release

# GWA Confirms Dividend Policy and Sound Medium Term Fundamentals of Business

- **Deterioration in trading conditions in first quarter not expected to impact dividend policy.**
- **Strong cash flow and balance sheet maintains capability for strategic acquisitions.**
- **Board confirms view that despite recent decline, the building sector has good medium term prospects and GWA is well positioned to take advantage of this when activity improves.**

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At today's Annual General Meeting of GWA Group Limited, Chairman, Mr Geoff McGrath, attributed the anticipated decline in 2011/12 year earnings to the weak short term outlook for the building sector but highlighted the good medium term prospects for the sector. Despite the difficult trading environment the GWA businesses are operating well and there is no reason to believe that dividends for the 2011/12 year will be impacted.

Mr McGrath said "The current GWA dividend policy is that absent an unexpected decline in profitability, ordinary dividends will be maintained at 18 cents per share until such time as it equals 70% to 80% of earnings. We do not see anything in the current trading environment which will impact this policy".

The Managing Director, Mr Peter Crowley also confirmed the expected 5% to 10% reduction in first half year trading earnings before interest and tax from continuing operations, and restated the strategic priority for GWA to grow its core Australian Building Fixtures and Fittings businesses.

"We have opportunities to grow organically in our core markets through product innovation and leveraging our brands, and also through acquisition of businesses with product or market adjacencies. With our strong market positions, GWA can take advantage of any improvement in market activity", said Mr Crowley.

Market conditions are worse than expected due to the absence of a post election boost in NSW, a market shift from environmental to lower value traditional electric and gas storage water heaters, greater impact of reduced government stimulus spending than expected and reduced consumer spending on renovations.

Due to the current market uncertainty, no guidance has been provided for the 2011/12 financial year results, other than confirmation of the Board's intention to maintain the dividend policy at 18 cents per share for the year. An update on the financial outlook will be provided after completion of the half year results in February.

For further information call:

Peter Crowley  
GWA Group Limited  
(07) 3109 6000

Tim Allerton  
City PR  
(02) 9267 4511



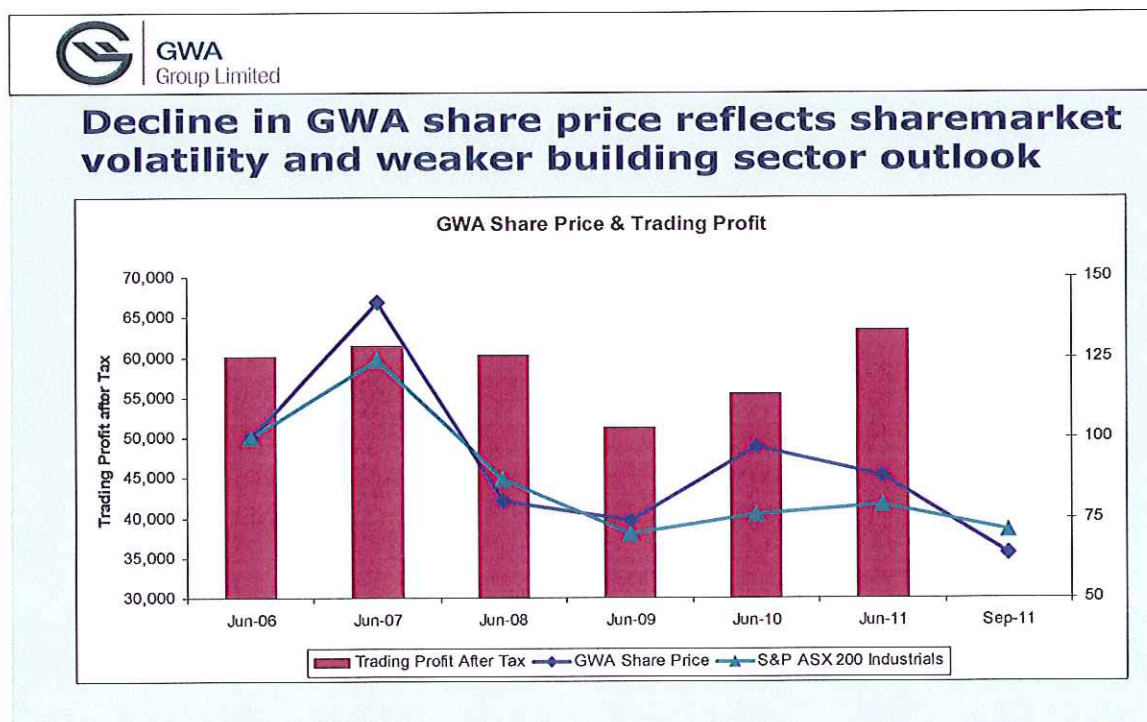
**Chairman's Address  
GWA Group Limited  
Annual General Meeting  
25 October 2011**

Ladies and gentlemen, it is a pleasure for me to address this Annual General Meeting.

Just twelve months ago I spoke to you about how your Board was focussed on positioning the Company to maximise returns from the improved outlook for the Australian economy. Whilst there was concern about high unemployment rates and government debt in the USA and Europe, the consensus view was that Australia was looking at a sustained period of growth and consequently the Reserve Bank was increasing interest rates to contain inflation. Unfortunately the uncertainty of the US recovery and the long running debt crisis in Europe has impacted consumer confidence and economic activity in Australia, the exception being the resources sector. The share market now reflects this negative outlook.


GWA's share price is now sitting at levels reminiscent of the 2008 Global Financial Crisis at a time when the 2010/11 trading result was the highest on record and secondly we have successfully restructured GWA into a focussed Australian Building Fixtures and Fittings Business following the sale of Sebel Commercial Furniture last month.

The slide shows GWA's net profit after tax and share price movements over the past 6 years compared to the broader ASX industrials index. The Board understands shareholders may be concerned about the recent fall in the GWA share price but in your Board's view it is a product of negative sharemarket sentiment and the weak short term outlook for the building sector. It is not GWA's business fundamentals. Building activity in Australia is undergoing a decline but the sector has good medium term prospects for growth and we are well positioned to take advantage of this when activity improves.



Our overarching strategy is to broaden the industry segments in which we compete in the Australian Building Fixtures and Fittings sector. The acquisition of Gliderol Garage Doors in February, the sale of Sebel Commercial Furniture last month and the recently announced exit of Caroma North America, demonstrates the progress which has been made in the past year in putting this strategy into place.

The Managing Director, Peter Crowley, will expand on our strategic priorities and review the Company's operational performance at the conclusion of my address but I will touch briefly on last year's financial performance.

 <b>GWA</b> Group Limited			
<b>GWA Results –Year to 30 June 2011</b>			
	<b>Full Year</b>	<b>Full Year</b>	
<b>\$ Million</b>	<b>2011</b>	<b>2010</b>	<b>Change</b>
Sales Revenue	<b>726.4</b>	656.8	10.6%
Trading EBIT	<b>107.2</b>	94.5	13.3%
EBIT Margin	<b>14.8%</b>	14.4%	
Trading Profit after Tax for Continuing Businesses	<b>63.4</b>	55.5	14.3%
Net Profit after Tax Incl Discontinued Businesses	<b>63.4</b>	48.5	30.6%

The Group achieved a trading profit after tax of \$63.4 million, an increase of 14% on the prior year's performance following an 11% increase in sales revenue. Trading earnings before interest and tax of \$107.2 million is the highest recorded in the Company's history. It represents a 13% increase on the prior year's performance due to contributions from acquisitions, government stimulus spending and ongoing business improvement initiatives.

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 \$22 million during the year despite funding the \$41 million Gliderol Garage Doors acquisition. Our net debt of \$198 million at June 2011 is well covered by total bank facilities of \$300 million.

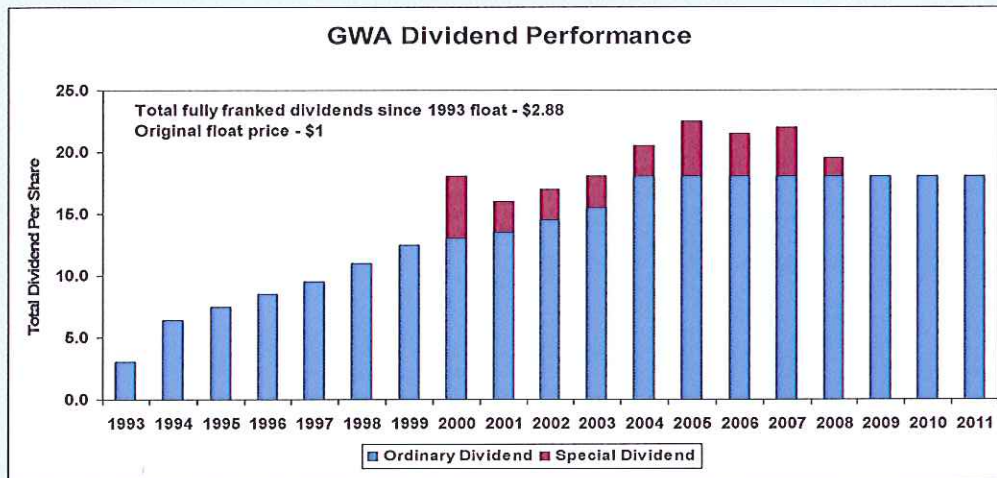
This strong financial position enabled the Company to maintain the fully franked ordinary dividend for the year at 18 cents per share.

The directors understand the importance of fully franked dividends to shareholders as demonstrated by the Company's track record of dividend payments. The current GWA dividend policy is that absent any unexpected decline in profitability, ordinary dividends will be maintained at 18 cents per share until such time as it equals 70% to 80% of earnings. Despite the expected reduction in profit due to lower building activity we are not currently aware of any circumstance which would impede our ability to maintain the dividend policy.





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

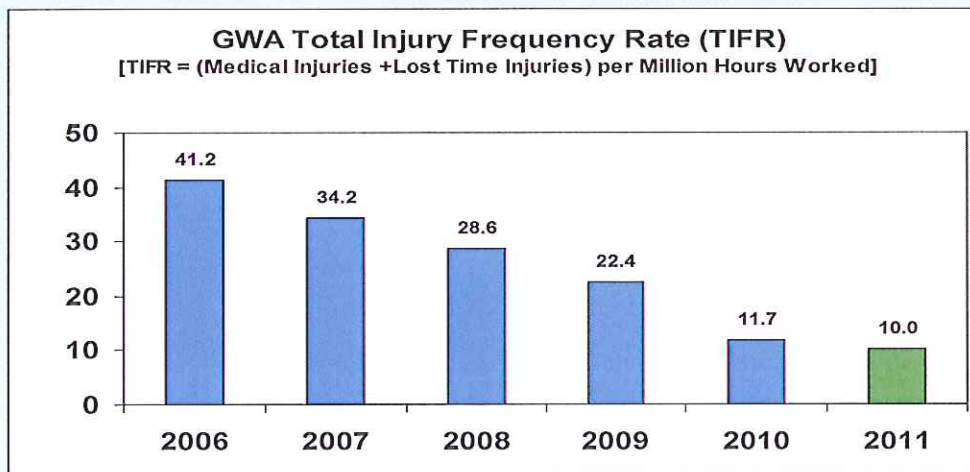


In addition to the improved financial performance we are also pleased with the progress being made in creating an injury free work place.

Improved safety management resulted in a 14% reduction in the total injury frequency rate in 2010/11 as outlined on the screen. This is the sixth consecutive year of improvement and represents a consolidation of the step change in safety performance achieved in the 2009/10 year.



### Consolidation of step change in safety performance achieved in 2009/10 year



The Board is committed to the Company’s environmental and social responsibilities through continually reducing energy, carbon emissions, water and waste across the Group’s operations. A standalone GWA Sustainability Report will be available later this year which will demonstrate the continuous improvements we are targeting for a sustainable future. We are proud of the contribution our innovative products make to improvements in water and energy

efficiency and we continue to invest over 1.3% of revenue per annum in product innovation to enhance our competitive advantage.

I will now comment on our Remuneration Report and Board composition.

For the 2011/12 executive remuneration review, the Board engaged the services of an independent external remuneration adviser, Guerdon Associates, to assist with benchmarking executive remuneration levels. The independent advice, together with recent feedback from shareholders, has resulted in a decision to change our executive incentive structure including the strengthening of performance hurdles under the Long Term Incentive Plan.

Our Remuneration Report has been expanded to explain the changes which will be effective for this year. The Board has endeavoured to balance the need to address market trends whilst positioning GWA to retain and attract a high quality management team led by our experienced Managing Director.

Our executive and management incentive schemes cover approximately 16% of total employees with total short term incentive payments for the year representing less than 5% of trading profit. The Board believes this is a reasonable balance of reward for management and shareholders.

Last year I advised shareholders of changes to the Board including the retirements of Barry Thornton and David Barry, and the new director appointments of John Mulcahy and Peter Birtles. I am pleased with the mix of skills, individual contributions and the open expression of views which ensures the Board is working effectively. During the year we formally critiqued our performance which led to some positive changes to succession planning and executive development. We can always improve and the sign of an effective Board is that it always strives to provide greater value to you, the shareholders.

In closing, I would like to thank Peter, his management team and all staff for their efforts in achieving the improved financial result in the 2010/11 year. This year will be difficult but we have quality businesses and people to ensure we maximise opportunities and are in the best position to take advantage of improved operating conditions in the medium term.

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

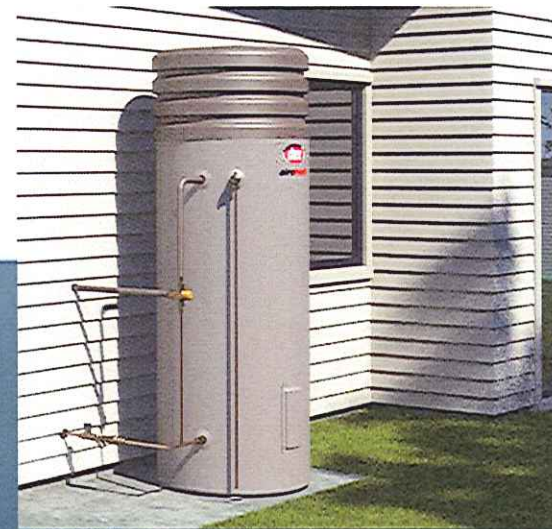
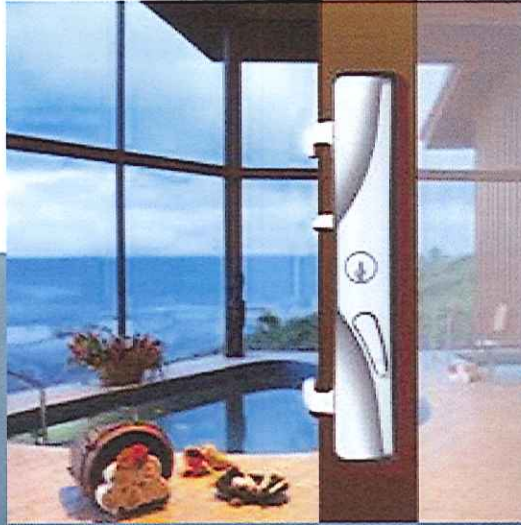
I would now like to invite the Managing Director to the podium to provide a review of operations for the 2010/11 year, and an update on the first quarter trading for the current financial year.

Thank you shareholders





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Group Limited





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**Presentation to the  
19<sup>th</sup> Annual General Meeting  
25 October 2011**

Presented by:

Peter Crowley

Title:

Managing Director



**GWA**  
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- **GWA's Core Strategies**
- **2010/11 Financial Year Results**
- **Restructuring**
- **2011/12 Financial Performance**





**GWA**  
Group Limited

- **GWA's Core Strategies**



## **GWA is Now Totally Focused on Growing its Core Australian Building Fixtures and Fittings Businesses**

- Sale of Sebel and planned exit from North America allows GWA to focus on its three core market segments
- With 18% market share in our defined markets there are opportunities for both organic and inorganic growth
- We are open to acquiring a step out opportunity but it must be material and within our capabilities to manage





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GWA  
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Heating & cooling technologies for residential and commercial applications

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**GLIDEROL**  
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## **Our Greatest Business Opportunity is to Grow our Existing Businesses Through Organic Initiatives**

- Innovation and product development underpins our market proposition
- Leveraging our brands, sales and marketing ensures our products are specified
- Systems investment enables our supply chain management capabilities
- Continuous improvement drives business efficiency





## **GWA's Strategic Agenda for Inorganic Growth is Unchanged**

- Capacity to fund acquisitions up to \$100 million through debt and \$300-\$400 million through debt plus equity
- Focus is on growth through product (eg. Austral Lock) and/or market adjacencies (eg. Brivis / Gliderol)
- Building Services also provides market adjacency opportunities for growth
- Financial and strategic criteria for growth will be maintained



**GWA**  
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- **2010/11 Financial Year Results**





## Major Successes and Challenges for The Year

- √ Delivering on growth strategy
  - Acquired Gliderol garage door business in February 2011
  - Sebel sale progressed to allow for completion in September 2011
- √ Sound operating performance for all businesses despite minor disruption of EBA negotiations
- √ Continued market development and improved sales performance
- √ Maximised opportunity from BER and Government stimulus spending
- X Lower environmental water heater sales and softening housing demand





## Key Performance Indicators are Positive

- Total Injury Frequency Rate improved 14%
- EBIT margin up from 14.4% to 14.8%
- Return on Funds employed up from 16.4% to 17.3%
- Working capital to sales down from 23.9% to 21.8% (target 20%)
- Total employees down 4% on like for like basis
- Capital efficiency improved with net debt increasing by \$22 million to \$198 million, after funding \$41 million for Gliderol acquisition





## Acquisitions Have Driven Profit Growth

- Sales flat on like for like basis but increased 11% due to acquisitions
- Trading EBIT of \$107.2 million up 13%
- EPS up 14% to 21 cents
- Increased cash generated from operations of \$126 million
- Full year dividend maintained at 18 cents
- Gliderol and Brivis integration progressed to plan
- Refinanced debt extending facilities to 2014-2016



## GWA Results –Year to 30 June 2011

	Full Year	Full Year	
\$ Million	<u>2011</u>	<u>2010</u>	Change
Sales Revenue	<b>726.4</b>	656.8	10.6%
Trading EBIT	<b>107.2</b>	94.5	13.3%
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## Results – Year to 30 June 2011

### Segment Performance – Bathrooms & Kitchens

\$ Million	<b>2011</b>	2010	Change
Sales Revenue	<b>339.9</b>	337.4	1%
Segment Result	<b>77.6</b>	74.2	5%
EBIT Margin	<b>22.8%</b>	22.0%	



## Segment Performance – Bathrooms & Kitchens

- Underlying sales up 1% with strong first half offset by slower activity in second half
- Wetherill Park performance improved consistently during the year
- Major progress in improving supply chain management and value to customers
- Further restructuring required in 2011/12 to streamline operations and maintain competitiveness





## Results – Year to 30 June 2011

### Segment Performance – Door & Access Systems

\$ Million	<b>2011</b>	2010	Change
Sales Revenue <sup>(1)</sup>	<b>114.0</b>	82.9	38%
Segment Result	<b>17.2</b>	14.6	17%
EBIT Margin	<b>15.0%</b>	17.6%	

(1) Includes 5 months Gliderol sales of \$29 million in 2011



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## **Segment Performance – Door & Access Systems**

Australian sales up 38% due to Gliderol acquisition and a 3% underlying improvement despite low Queensland building activity

Growth in architectural and commercial market segments with Hillaldam distributorship starting to show growth

Electronic access systems integrating Gainsborough and Gliderol access systems to be released in 2011

Restructuring required in 2011/12 to maintain competitiveness





## Results – Year to 30 June 2011

### Segment Performance – Heating & Cooling

\$Million	<b>2011</b>	2010	Change
Sales Revenue <sup>(1)</sup>	195.3	161.5	21%
Trading EBIT	<b>17.2</b>	14.6	18%
EBIT Margin	<b>8.8%</b>	9.0%	

<sup>(1)</sup> Includes Brivis sales for 12 months in 2011 and 3 months in 2010



## Segment Performance – Heating & Cooling

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

**Dux** - Sales down 5% from Government rebate driven sales in prior year. Good recovery in second half

**EcoSmart** – Sales down 28% due to lower demand for solar hot water products

**Brivis** - Poor summer season for evaporative coolers offset by strong winter sales of gas ducted heaters





## Financial Metrics Remain Strong

	<b>2011</b>	2010
Net Debt (\$M)	<b>198.1</b>	176.0
Gearing Ratio (Net Debt / Net Debt Plus Equity)	<b>31%</b>	32%
Leverage Ratio (Net Debt / EBITDA)	<b>1.53</b>	1.71
Debt Maturity Profile		
July 2014	200.0	
July 2016	100.0	



## Ordinary Dividend Maintained

\$ Million	2011	2010
Trading profit after tax	<b>63.4</b>	55.5
Trading earnings per share	<b>21.0¢</b>	18.5¢
Reported earnings per share	<b>21.0¢</b>	16.2¢
Ordinary Dividend		
▪ Interim	<b>9.5¢</b>	9.5¢
▪ Final	<b>8.5¢</b>	8.5¢
▪ Total (fully franked)	<b>18.0¢</b>	18.0¢





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- **Restructuring**



## Further Restructuring is Required to Sustain Competitiveness

- Impact of high Australian currency and cost escalation on competitiveness
- This will require plant rationalisations with a greater proportion of sourcing offshore to drive down supply costs
- An 8% workforce reduction is expected in 2011/12
- Restructuring costs and related capital investment will cost \$20 million
- Profit and cash impact will be largely offset by asset sales and improved working capital





## **We Are Committed to Australian Manufacturing Where it Provides a Source of Competitive Advantage**

- Wetherill Park will remain a core operation but is being phased back to focus on market service. Further investment will support our value proposition.
- Dux Moss Vale plant is currently undergoing an \$18 million upgrade to be competitive
- Die casting and plating operations and associated assembly at Blackburn will close in May 2012. Keying and related assembly operations at Blackburn are integral to our market offer and will be retained.
- Operations for Gliderol and Brivis and Adelaide plastic cisterns remain integral to our market offer
- Restructuring will result in a 25% reduction in our Australian carbon footprint



**GWA**  
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- **2011/12 Financial Performance**



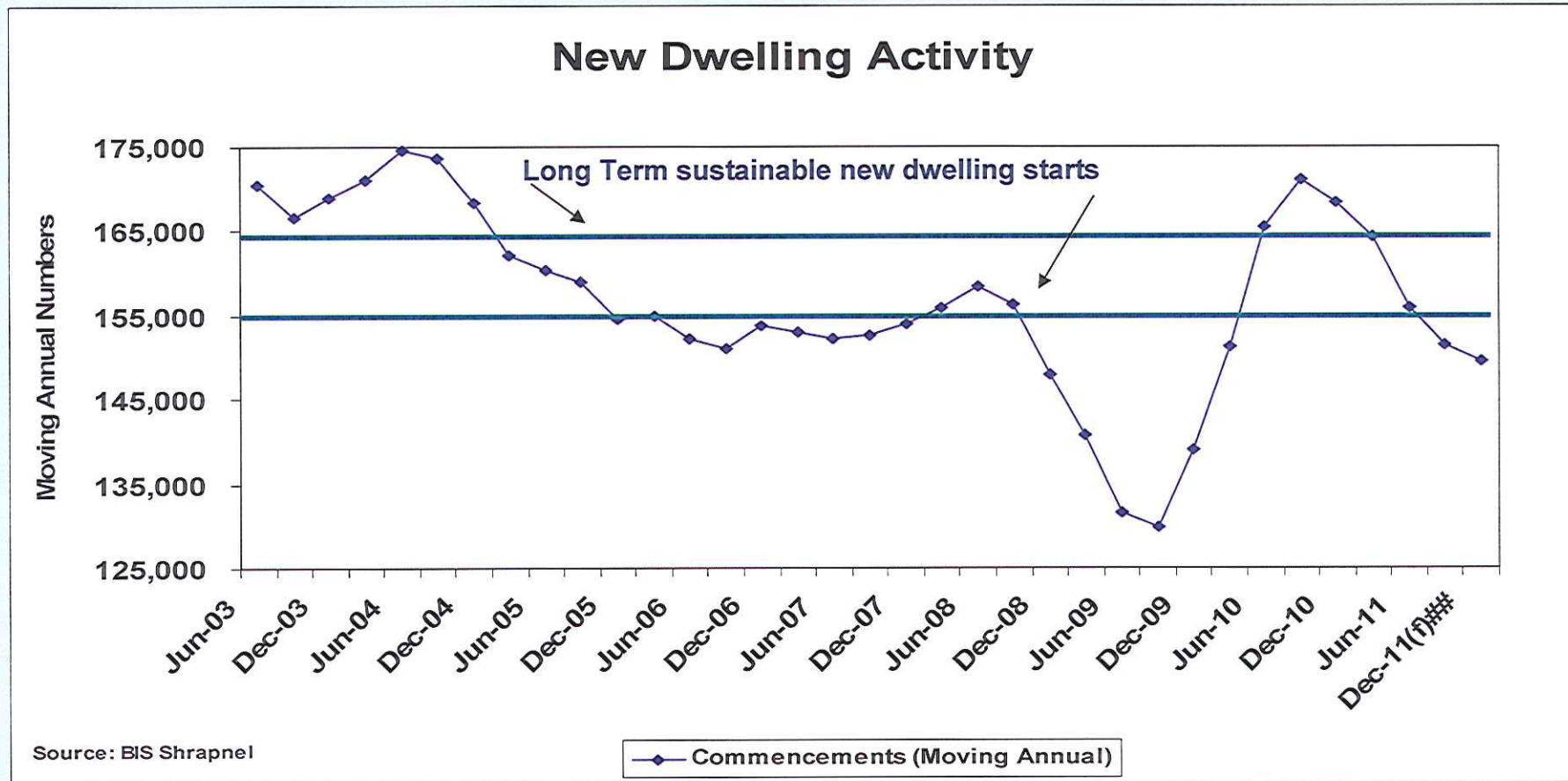


## **Conditions for 2011/12 Building Activity Have Deteriorated**

- Last years positive view on building outlook has not come to fruition
- Fundamentals have been overtaken by low consumer confidence
- Government stimulus spending has now ceased
- Downturn in commercial construction is expected to continue
- Given that demand is driven by sentiment rather than fundamentals it is difficult to predict when this will change



## New Dwelling Activity is Below Long Term Sustainable Levels of 155,000 to 165,000 Dwelling Starts



## Estimate based on BIS Shrapnel forecast





## 2011/12 Financial Performance

- Market conditions are worse than expected due to:
  - absence of post election boost in NSW
  - market shift from environmental to traditional electric and gas water heaters
  - greater impact of reduced government stimulus
  - reduced consumer spending on renovation
- Like for like sales are down 10% for the quarter but reduction will be less for full year
- With the inclusion of the new Gliderol business Group sales for the first quarter are flat
- No annual guidance but trading result expected to be consistent with maintaining dividend policy at 18 cps





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