GWA
Group Limited

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24 October 2012

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 am today:

1. Chairman's Address

2. Managing Director's Address

Yours faithfully

R J Thornton
Executive Director

GWA Group Limited
Chairman's Address
Annual General Meeting
24 October 2012

Ladies and gentlemen, it is a pleasure for me to address this 20th Annual General Meeting.

Although the Australian economy remains strong in relation to the rest of the world, there are some sectors of the economy which are struggling. The building sector is unfortunately one of these, with housing construction hitting historical lows. A persistently high Australian dollar and general lack of confidence has limited both consumer spending and business investment. The concern over the stability of house prices has also seen less spending on renovations, and household focus has essentially been on reducing debt levels. With interest rates and unemployment at relatively low levels, any stabilising or improvement in house prices will eventually lead to a positive and sustained improvement in building activity.

It is very difficult to predict when an improvement in building activity will occur but we do not believe it will impact on GWA this financial year. As a consequence, your Board believes that GWA must focus on delivering its strong value propositions at the lowest possible cost. Significant focus therefore is being given to the value chain and in turn this will ensure that GWA's strong financial metrics are maintained.

GWA's share price is now sitting at levels reminiscent of the Global Financial Crisis in 2008/09 however since that time we have successfully restructured GWA into a focussed Australian building fixtures and fittings company.

The following slide shows GWA's net profit after tax and share price movements over the past 7 years compared to the broader ASX industrials index. The Board understands shareholders are concerned about the fall in the Company's share price but in our view it is a product of negative sharemarket sentiment and the weak outlook for the building sector. The Board believe that, with focus on maximising efficiencies across the value chain, coupled with the work completed in clarifying our market positions, GWA will be well positioned to take advantage of improved market activity when it occurs.

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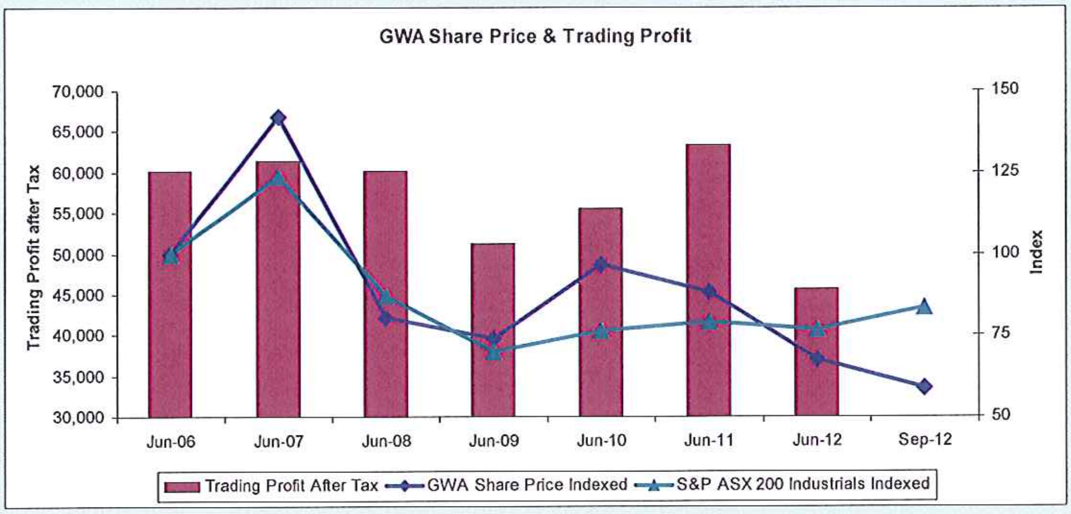
Decline in GWA share price reflects sharemarket volatility and weak building sector outlook



GWA's overarching strategy is to broaden the industry segments in which we compete in the Australian Building Fixtures and Fittings sector. The acquisition of API Locksmiths earlier this month demonstrates our commitment to this strategy.

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.

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Results –Year to 30 June 2012

$Million	**Full Year 2012**	Full Year 2011	Change
Sales Revenue	**602.1**	641.6	-6%
Trading EBIT	**75.4**	99.9	-25%
EBIT Margin	**12.5%**	15.5%	
Trading Profit after Tax for Continuing Businesses	**45.6**	59.0	-23%
Net Profit after Tax Incl Restructuring and Disc. Businesses	**39.7**	63.4	-37%

The Group achieved a trading profit after tax of $45.6 million, a decline of 23% on the prior year's performance following a 6% decline in sales revenue. Trading earnings before interest and tax (EBIT) of $75.4 million represents a 25% decline on the prior year's performance entirely due to lower revenue. Cost increases and pricing pressure were largely offset by cost improvement initiatives. This is despite the higher costs incurred during commissioning of the Moss Vale water heater factory upgrade and costs incurred in transitioning both Gainsborough and Bathrooms & Kitchens from local manufacturing to lower cost offshore suppliers.

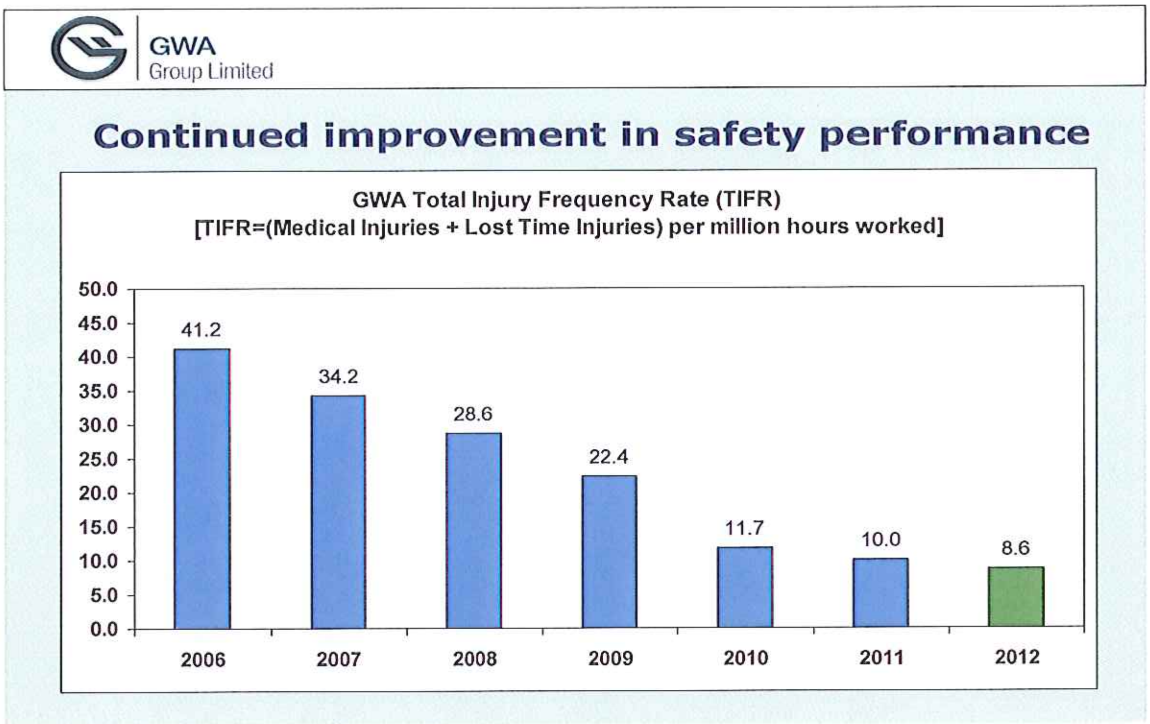
Despite the weak market conditions experienced in the financial year, the Group generated strong cash flow from continuing operations of $111 million. This cash flow was similar to the prior year despite a 25% reduction in trading EBIT. Sales of surplus properties at Norwood and Coburg generated $18 million, while disposals of the non-core Sebel and Caroma North America businesses generated a further $24 million. Our net debt of $175 million at June 2012 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 DRP was re-introduced for the final dividend paid on 4 October to provide funding for growth opportunities.

The Board understands the importance of fully franked dividends to shareholders as demonstrated by the Company's track record of dividend payments. However in view of the sustained market downturn and uncertain outlook, the directors decided to review the Company's dividend policy. The new dividend policy to be applied for the 2012/13 year is for dividends to represent 80% to 95% of net profit after tax. For this financial year, dividends are expected to be paid at the higher end of this range and be fully franked.

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

Continuous improvement in safety performance over the past 5 years has been consolidated with a further 14% decline in the total injury frequency rate in 2011/12, as outlined in the following slide. With our total injury frequency rate reducing to 8.6 we now have a consistent sense of purpose in creating a safe work environment for our people.



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. GWA reports greenhouse gas emissions under the National Greenhouse and Energy Reporting Scheme and these reports are available on our website to allow for transparency in our improvement initiatives. We are proud of the contribution our innovative products make to improvements in water and energy efficiency and we continue to invest over 1.4% of revenue per annum in product innovation to enhance our competitive advantage.

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

GWA's remuneration policies continue to be assessed with independent advice provided by Guerdon Associates. The Board aims to provide remuneration that is fair and sufficient to attract and retain management and directors with the experience, knowledge, skills and judgement required for the business.

Last year the Board acted on advice from Guerdon Associates and feedback from shareholders to change our executive incentive schemes including the strengthening of performance hurdles under the Long Term Incentive Plan and shifting some of the incentive from long term to shorter term requirements.

The only change in remuneration policy for 2012/13 is the cessation of the old GWA Employee Share Plan. The Board believes a more effective approach is to expand the use of the Long Term Incentive Plan approved by shareholders in 2008 to include lower level management who formerly participated in the GWA Employee Share Plan. These changes are proposed to commence this financial year and will be reported in next year's Remuneration Report.

Our executive and management incentive schemes cover approximately 16% of total employees with total short term incentive payments for the year representing less than 4% of trading profit. This is lower than last year and in line with the lower trading result.

The Board is working effectively with no changes following the appointments of John Mulcahy and Peter Birtles last financial year. The Board has the right mix of skills with strong contributions from all directors and an open expression of views. We are aware of the current focus on diversity and have provided the required diversity disclosures in our Corporate Governance Statement. The Board will continue to look for opportunities to improve diversity and maintain relevant experience when making future Board appointments.

In closing, I would like to thank Peter, his management team and all staff for their efforts in maintaining strong financial metrics for the 2011/12 year in what was a difficult trading environment. This year will also be difficult in the current downturn but we have quality businesses and people to maximise opportunities and ensure GWA is in the best position to take advantage of improved operating conditions when they occur.

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 2011/12 year, and an update on the first quarter trading for the current financial year.

Thank you shareholders.

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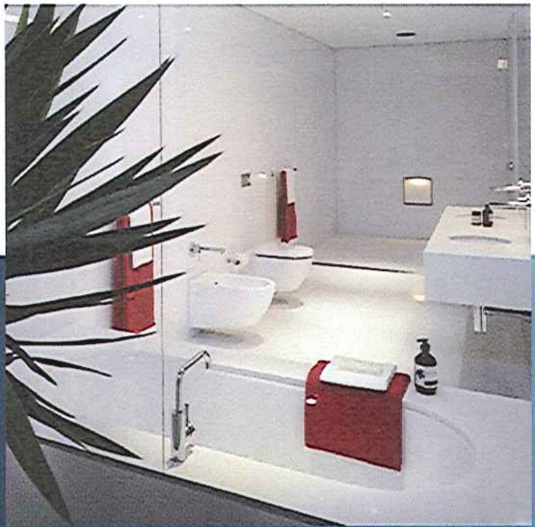

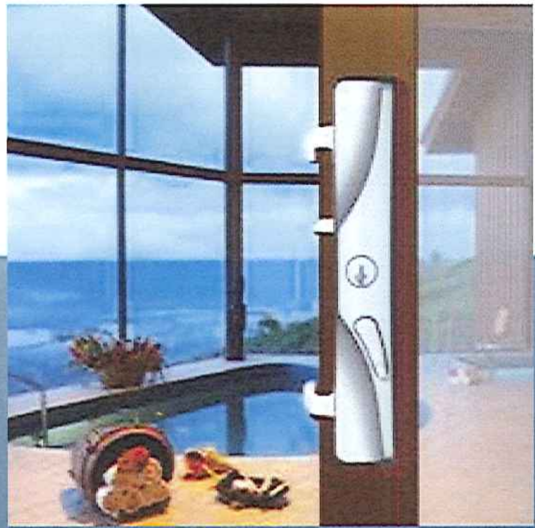

Presentation to the 20th Annual General Meeting 24 October 2012

Presented by: Peter Crowley

Title: Managing Director

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- GWA's Strategic Priorities
- 2011/12 Financial Year Results
- Business Efficiency
- 2012/13 First Quarter Performance

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- **GWA's Strategic Priorities**

Strategic Priorities are More Focussed to Sustain Competitive Advantage

- Our market strategy is aimed to deliver strong value propositions through
  - Product innovation
  - Brand management
  - Developing and supporting aligned channels

- Our operational strategy is to focus on market facing operations ie
  - Product fabrication and assembly
  - Supply chain management
  - Installation and service

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Growing our Existing Businesses Through Organic Initiatives is our Biggest Opportunity

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

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GWA's Strategic Agenda for Inorganic Growth is Unchanged

- We currently have $75 million of unused loan facilities and the DRP has been reactivated to ensure we are in position to respond to opportunities
- Focus is on growth through product (eg Austral Lock) and/or market adjacencies (eg Brivis / Gliderol)
- Developing / acquiring installation and service capabilities to complement product offering is a strategic priority
- Financial and strategic criteria for growth will be maintained

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- **2011/12 Financial Year Results**

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Major Successes & Challenges for the Year

√ Restructuring completed
- Plant closures / rationalisation resulting in 8% lower workforce, funded through non core property sales

√ Construction and commissioning of Moss Vale water heater factory upgrade completed

√ Sale of non core businesses completed
- Sebel Commercial Furniture and Caroma North America sold

√ Strong cash flow from operational improvements

X One off cost increases in second half year due to plant commissioning and transitioning businesses

X Weak dwelling commencements and deterioration in renovation activity

X Adverse impact of Government policy on environmental water heater sales

Result Impacted by Poor Underlying Demand

- Headline sales down 6%, underlying sales down 12% after adjusting for full year of Gliderol
- Macro drivers of reduced underlying revenue
  - Decline in residential housing 4%
  - Lower renovation spending 2%
  - Cessation of solar rebates and stimulus spending 6%
- Trading EBIT of $75 million down 25% on last year
- Lower effective tax rate at 20% due to tax free capital gains on property disposals and prior year adjustment
- EPS from continuing operations 15 cps
- Full year dividend maintained at 18 cents but policy reviewed due to sustained poor trading conditions
- Strong cash generation resulted in $24 million reduction in net debt

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2011/12 has Positioned Businesses to Deliver Growth when Conditions Improve

- Company structure is clearer, comprising three core Australian Building Fixtures and Fittings Divisions leveraging market opportunities
- Lower cost supply chains established from restructuring and offshore supply relationships
- Broad ranging strategic review has provided clear priorities for growth
  - GWA has 13% market share of $5 billion defined market
  - Opportunities in product and market adjacencies as well as customer and channel development

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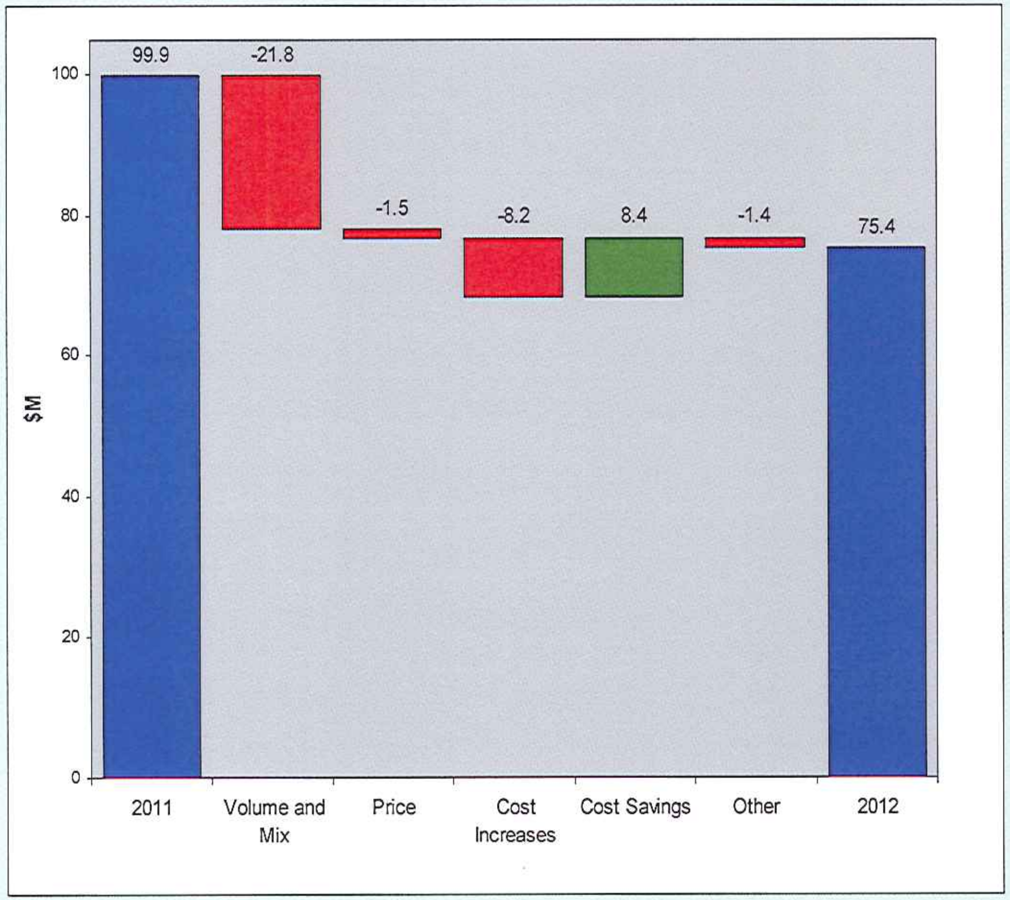
Lower Trading EBIT is Driven by Sales Decline



- Reduced housing activity, cessation of Government solar rebates and stimulus spending
- Minor currency / price movements
- Negative impact of lower throughput on overhead recovery, general increases
- Higher labour productivity, lower warranty costs, general reductions

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Bathrooms & Kitchens
Poor Trading Conditions Impacting Demand

A'000	June 12	June 11	% Change
Sales	**297.8**	332.4	-10%
Trading EBIT	**61.0**	78.9	-23%
EBIT%	**20.5%**	23.7%	
ROFE	**15.2%**	18.5%	

- Sales reflect cessation of Government stimulus and poor trading conditions
- Increased sales in DIY channels
- Wetherill Park transition to single shift complete
- Offshore supply chains working more effectively
- Improved delivery performance, product rationalisation, customer claims and market service

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

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Heating & Cooling
Lower Demand for Environmental Water Heaters

A'000	June 12	June 11	% Change
Sales	**165.8**	195.1	-15%
Trading EBIT	**13.3**	17.2	-23%
EBIT%	**8.0%**	8.8%	
ROFE	**14.1%**	19.1%	

- Adverse sales mix due to cessation of Government rebates on environmental water heater sales
- Construction & commissioning of hot water factory upgrade at Moss Vale completed
- Strong winter season for ducted gas heater sales
- Recall of evaporative coolers has not impacted brand or sales performance

dux thinkhotwater
brivis Climate Systems
ecosmart Solar
apac
HEAT SOURCE

Heating & Cooling technologies for residential and commercial applications

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Door & Access Systems
Impact of Lower Residential Building Activity

A'000	June 12	June 11	% Change
Sales	**138.6**	114.0	22%
Trading EBIT	**14.1**	17.2	- 18%
EBIT%	**10.1%**	15.0%	
ROFE	**16.1%**	19.0%	

- Sales increased due to full years inclusion of Gliderol
- Underlying sales down by 10% due to market conditions
- Closure of Blackburn and Kyneton and establishment of new supply chains completed
- Leveraging Gliderol / GHI starting to get traction

Gainsborough ENTER WITH STYLE™

GLIDEROL GARAGE DOORS

Austral Lock®

Hillaldam SLIDING DOOR SYSTEMS

Access and security technologies for residential and commercial applications

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Strong Cash Flow Reflects Improved Supply Chain and Operational Efficiency plus Sale of Non Core Assets

$Million	2012	2011
Cash Generated from Continuing Operations	**110.5**	111.0
Cash Generated from Discontinued Operations	**-2.0**	16.6
Restructuring Cash Flows	**-9.6**	-1.5
Cash generated from Operations	**98.9**	126.1
Property / asset sales	**18.4**	0.1
Disposals	**23.7**	2.3
Capital Expenditure	**-25.8**	-24.7

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Financial Metrics Remain Strong

	2012	2011
Net Debt ($M)	**174.5**	198.1
Gearing Ratio (Net Debt / Net Debt Plus Equity)	**29%**	31%
Leverage Ratio (Net Debt / EBITDA)	**1.87**	1.53
Debt Maturity Profile		
July 2014	**200.0**	
July 2016	**100.0**	

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Maintenance of Fully Franked Dividend Supported by Strong Cash Flow

$Million	**2012**	2011
Trading profit after tax	**45.6**	59.0
Trading earnings per share	**15.1¢**	19.6¢
Reported earnings per share	**13.1¢**	21.0¢
Ordinary Dividend		
▪ Interim	**9.5¢**	9.5¢
▪ Final	**8.5¢**	8.5¢
▪ Total (fully franked)	**18.0¢**	18.0¢

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Dividend Policy Changed to Reflect Adverse Impact of Market Conditions

- Current policy states "Absent an unexpected decline in profitability, ordinary dividends will be maintained at 18.0 cents per share until it equals 70% to 80% of earnings, at which time it will increase in line with performance."
- Poor market conditions and uncertain outlook has been unforseen
- New Policy will eliminate the 18.0 cents floor but pay higher dividend ratio through the cycle

  Target dividend will represent 80-95% of net profit after tax
- 2012/13 will be fully franked and paid at higher end of range

- **Business Efficiency**

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2011 / 12 Restructuring Improved Productivity with 8% Decline in Workforce

Total Employees June 2011	2,150
Divestments	(196)
Restructuring & Operational	(166)
Total Employees June 2012	1,788

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Further Improvements in Business Efficiency are Required to Sustain Competitiveness

- High Australian currency and aggressive market pricing impacting on competitiveness
- Value chain across the Group needs to be efficient with the lowest total cost
- Further restructuring is likely
- Asset sales and strong focus on improved working capital will fund restructuring while maintaining our strong financial metrics

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- **2012/13 First Quarter Performance**

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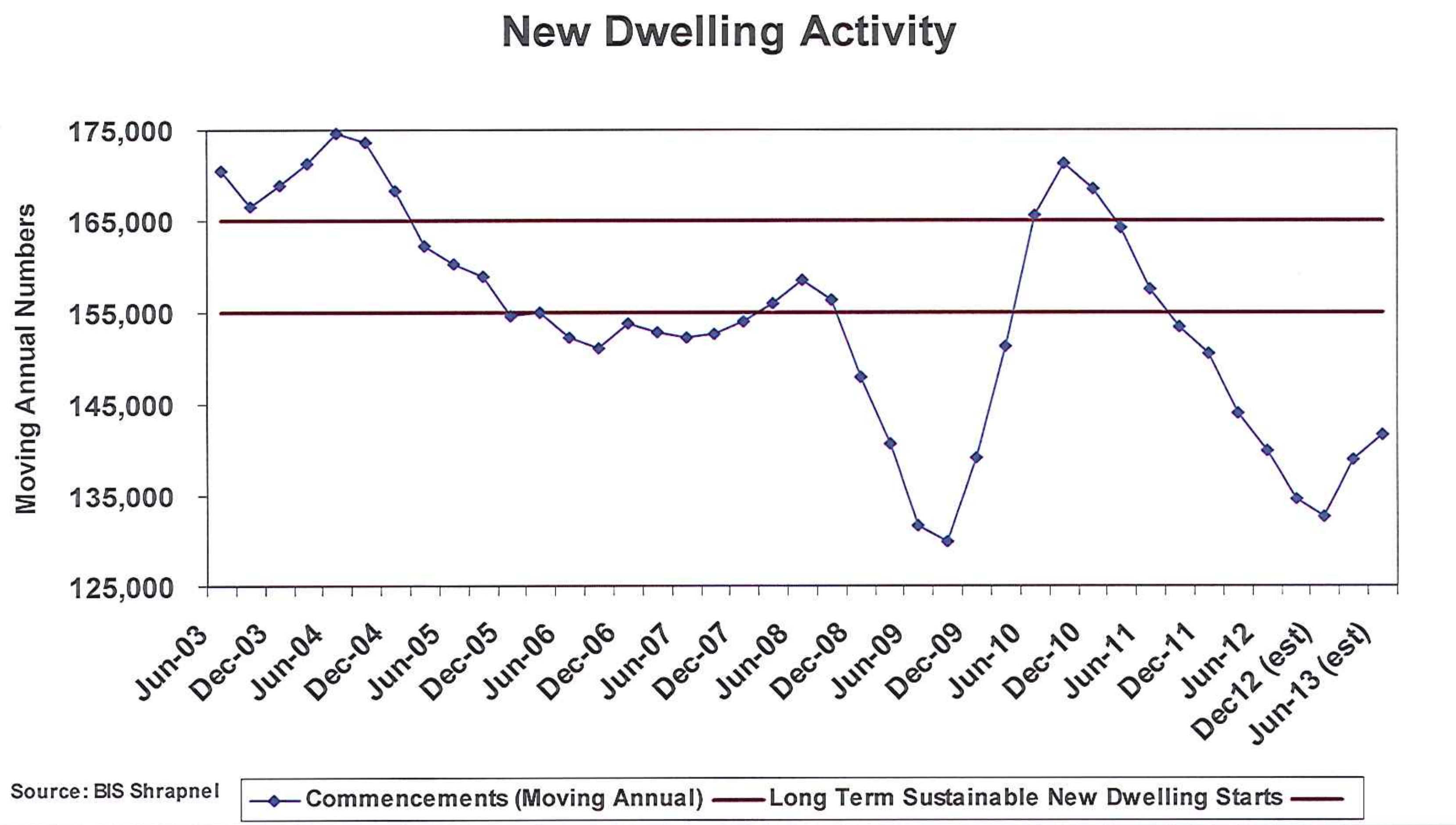
New Dwelling Activity is Below Long Term Sustainable Levels of 155,000 to 165,000 Dwelling Starts



Source: BIS Shrapnel

2012/13 First Quarter

- Weak conditions seen in the 2nd half of 2011 / 12 continue into 2012 /13
- Housing construction levels the weakest in 2 decades
- Government initiatives now ceased but in last years comparatives
- First quarter operating profit has declined against same period last year reflecting the extremely tough market conditions
- Cost savings are on track with further initiatives planned
- Given market uncertainty we will be in better position to give guidance at the half year results presentation in February 2013

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