



GWA
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ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

GWA GROUP LIMITED ANNOUNCES PHASED EXIT FROM MANUFACTURING OF VITREOUS CHINA AND PLASTICS IN SYDNEY AND ADELAIDE

GWA Group Limited, Australia's leading supplier of fixtures and fittings to households and commercial premises, today announced plans to restructure its manufacturing activities following a detailed review of its operations.

As a result of that review:

- The Norwood plastics operation in Adelaide will be phased out over the next three years, with approximately 76 positions to be made redundant. The remaining South Australian staff will be transferred to another facility in Adelaide by 2017; and
- The Wetherill Park vitreous china manufacturing facility will cease production by the end of calendar 2014, with approximately 88 positions to be made redundant. Subject to the sale and leaseback of the Wetherill Park site, the remaining staff will continue to work there in their roles.

Maintenance of GWA's leadership in the bathrooms and kitchens markets is reliant on the cost effective supply of value added products and innovative solutions for customers and through the adoption of an efficient and responsive supply chain.

As a consequence of this announcement GWA will transition to sourcing plastics and vitreous china products from its established overseas suppliers. That transition will be conducted in a timely and orderly manner, with no supply shortages anticipated. In particular the current levels of inventory will cover the transition to overseas sourcing of Wetherill Park products.

The termination of the 164 employee positions represents about 10 per cent of GWA's total workforce of 1,671 people across Australia. Employees who are made redundant will receive payment of their entitlements and be provided assistance in gaining new employment.

This announcement follows the recent decision to divest the non-core Dux Hot Water and Brivis Heating and Cooling businesses through a process which is now well advanced.

GWA is committed to continued local investment in technology, design and innovation and will invest in a new state of the art Innovation and Technology Centre in Sydney.

The redundancies and any asset writedowns or other costs associated with the closures along with the establishment of the Innovation and Technology Centre, will result in an anticipated charge to profit this financial year of approximately \$29 million.

The changes will result in an anticipated positive cash flow of approximately \$24 million this financial year as a result of the sale of the Wetherill Park site, with annualised savings expected to be in the order of \$4 million.

The execution of these initiatives will adversely impact retained earnings in the current financial year and consequently the Group's ability to pay fully franked ordinary dividends in the current financial year. However, subject to the successful divestments of Dux and Brivis and the sale of the Wetherill Park site, directors will actively consider options to return proceeds to shareholders whilst maintaining the Group's strong financial metrics.

Further details of the transition to overseas sourcing of products and the establishment of the Innovation and Technology Centre in Sydney will be given at GWA's annual general meeting in Brisbane on October 24, 2014.

For further information call:

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