



**GWA International Limited**

ABN 15 055 964 380

30 October 2008

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

Dear Sirs

**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 am today:

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

Yours faithfully

**R J Thornton**  
**Company Secretary**



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**Media Release**

## **Flat Trading in First Quarter with Market Expected to Decline Further**

- **First quarter Trading EBIT in line with last year**
- **Improved cost competitiveness and lower Australian currency will assist performance**
- **Unprecedented market uncertainty and expected reduced building activity in second half makes it too difficult to provide full year profit guidance**

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At today's Annual General Meeting of GWA International Limited, the Managing Director, Mr Peter Crowley, reported that the Group had recorded first quarter trading Earnings Before Interest and Tax (EBIT) in line with the prior corresponding period.

With an expected rise in unemployment, lower building approvals in the first quarter and high household debt levels, Mr Crowley said GWA expected building activity to reduce substantially for the balance of the year.

He said, "In this environment we are focussing on maximising cash flows whilst ensuring we are in a sound position to take advantage of the upturn when it occurs. The government assistance package, lower interest rates and underlying demand will result in a strong turnaround when confidence is restored. The issue is timing and it is unlikely before the second half of 2009.

"The current financial crisis has created unprecedented market conditions and uncertainty in all our markets. With dwelling construction activity and consumer demand expected to reduce in the second half of this year, it is very difficult to provide full year profit guidance" added Mr Crowley.

The restructuring of GWA's businesses over the last four years and improved competitiveness with the weaker Australian currency would underpin the group's performance. Price rises are necessary to recover cost increases and these are easier to pass through with the lower currency.

In the current environment asset values are at historically low levels and as signalled previously the company is continuing to assess business growth opportunities.

“We have a strong balance sheet, supportive banks and the opportunity to build on the capabilities we have developed in brand and supply chain management,” concluded Mr Crowley.

For Further Information call:

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**GWA International Limited**  
**Chairman's Address**  
**Annual General Meeting**  
**30 October 2008**

A sound financial performance was achieved in the 2007/08 year in the difficult domestic market conditions. Trading earnings before interest and tax finished slightly ahead of the prior year and was in line with guidance provided to the market in February. Rising market interest rates and a weak domestic economy lead to further declines in dwelling construction and renovation activity, and together with rising business input costs created a challenging environment for the Group's businesses. The significant restructuring activities undertaken to date enabled the Group to maintain profitability in the difficult market conditions.

One of the highlights for the year was the Group's impressive operating cash flow enabling the directors to declare a final fully franked dividend of 8.0 cents per share which was paid earlier this month. Together with the interim dividend of 11.5 cents per share paid in April, this brought the total fully franked dividend for the year to 19.5 cents per share. This continues the Company's track record of paying fully franked cash dividends to shareholders.

The directors announced in August the cessation of the special dividend, and the re-introduction of the Dividend Reinvestment Plan which was in place for the October final dividend. These measures will assist the Group to fund acquisition opportunities as they arise. In the current market, there are more acquisition opportunities becoming available at realistic asset prices, and the Group needs to be in a position to move quickly to fund opportunities that are consistent with the strategic growth plans and that meet the Group's strict acquisition criteria.

During the year, the Board conducted a review of the incentive arrangements for executives and senior management. The objective of the review was to more closely align the incentive arrangements with shareholder wealth creation. Following the review, the Long Term Incentive has been changed to an Equity Performance Plan which incorporates performance hurdles based on Earnings Per Share and Total Shareholder Return targets as outlined in the Notice of Meeting. The performance hurdles have been selected by the Board to be challenging but achievable, and will focus management on sustained long term performance.

The Long Term Incentive will be put to shareholders for approval today and I encourage shareholders to support the plan, and if approved, to also support the resolution for the allocation of Performance Rights to the Managing Director, Mr Peter Crowley, pursuant to the plan.

GWA continues to provide a safe workplace for its employees and contractors. I commend management on the improvement in safety performance during the year. New safety initiatives and improvements to existing systems have continued the positive trend of the key safety performance indicators.

On the topic of sustainability and the environment, the Board is committed to reducing energy and water usage in the Group's operations and significant progress has been made. I congratulate Caroma Dorf on receiving the 2008 Endeavour Awards Environmental Solution of the Year for the Glaze Reclamation System at the Wetherill Park factory which has led to substantial waste and water reductions. Gainsborough has also put in place initiatives to reduce water consumption at the Blackburn factory with impressive results to date.

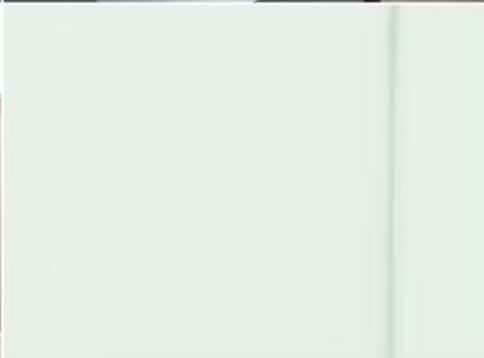
Further initiatives are being considered across the Group to reduce energy and water usage in the business operations in preparation for the Carbon Pollution Reduction Scheme in future periods.

The Group has invested significantly in research and new product development to maintain competitive advantage and develop new market opportunities. The Company is a key manufacturer and distributor of products which deliver environmental benefits including Caroma Dorf's market leading water efficient sanitaryware, tapware and showers, and Dux's gas and solar hot water systems and heat pump products which reduce household energy usage. Some of these environmental products are on display in the foyer, including the Dux Airoheat Subzero heat pump water heater which recently won the prestigious 2008 Australian International Design Mark.

The financial results for the 2007/08 year demonstrates the strength of the Group's businesses in challenging market conditions. The restructuring activities of recent years has enabled the businesses to improve their competitiveness, and the full benefits of the restructuring will be realised when the domestic dwelling construction and renovation market recovers in future periods.

I would like to thank management and staff for their efforts to achieve a sound financial result in the 2007/08 year, and look forward to a strong performance in the current financial year, despite the current economic uncertainty.

I would now like to invite to the podium the Managing Director, Mr Peter Crowley, to provide a review of the Group's operations for the 2007/08 year, and an update on trading in the current financial year.



GWA International Limited



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**Presentation to the  
16<sup>th</sup> Annual General Meeting  
30 October 2008**

Peter Crowley  
Managing Director



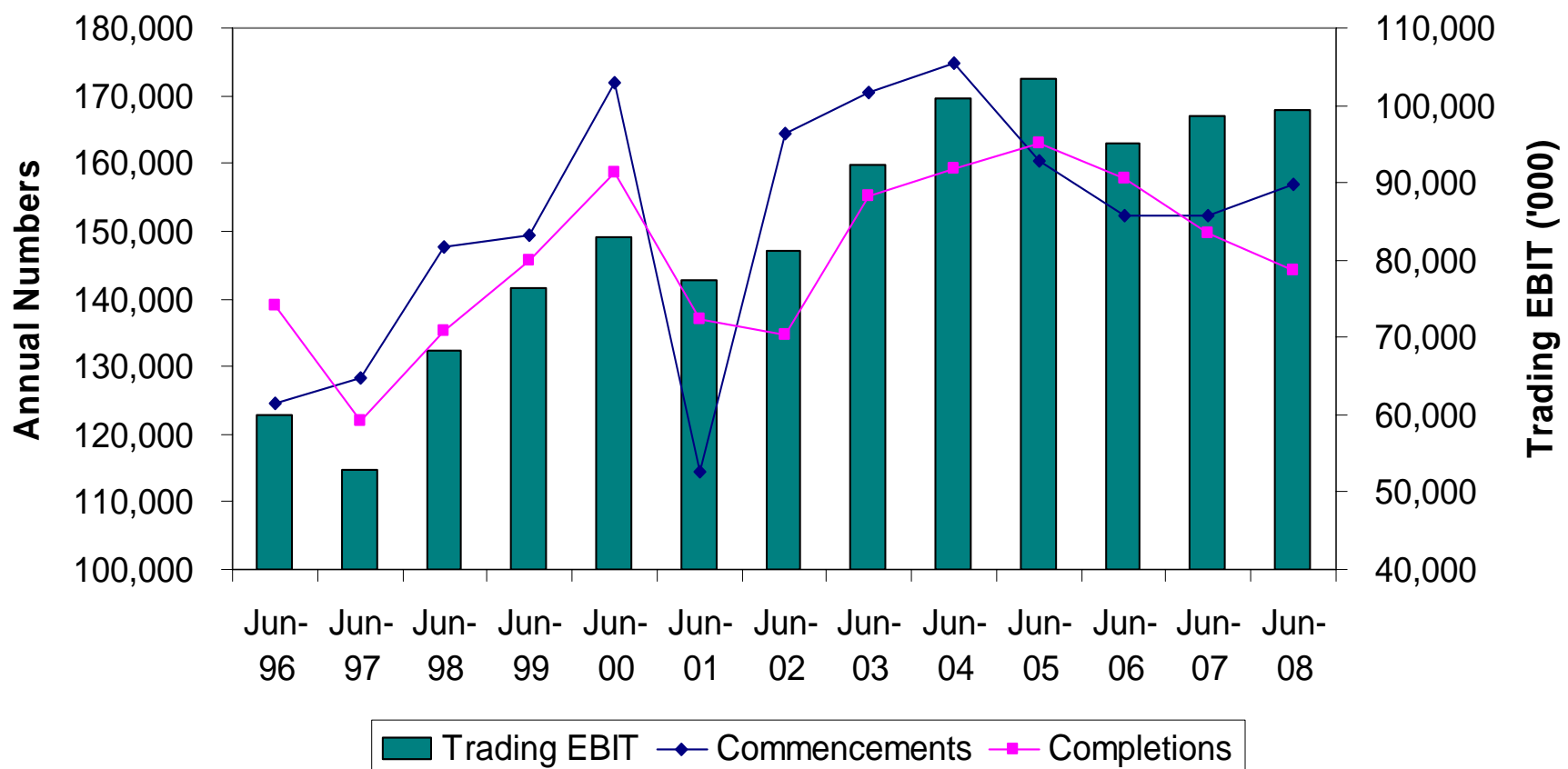
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# ***Economic & Market Indicators***



## Continuing Weakness in Dwelling Construction

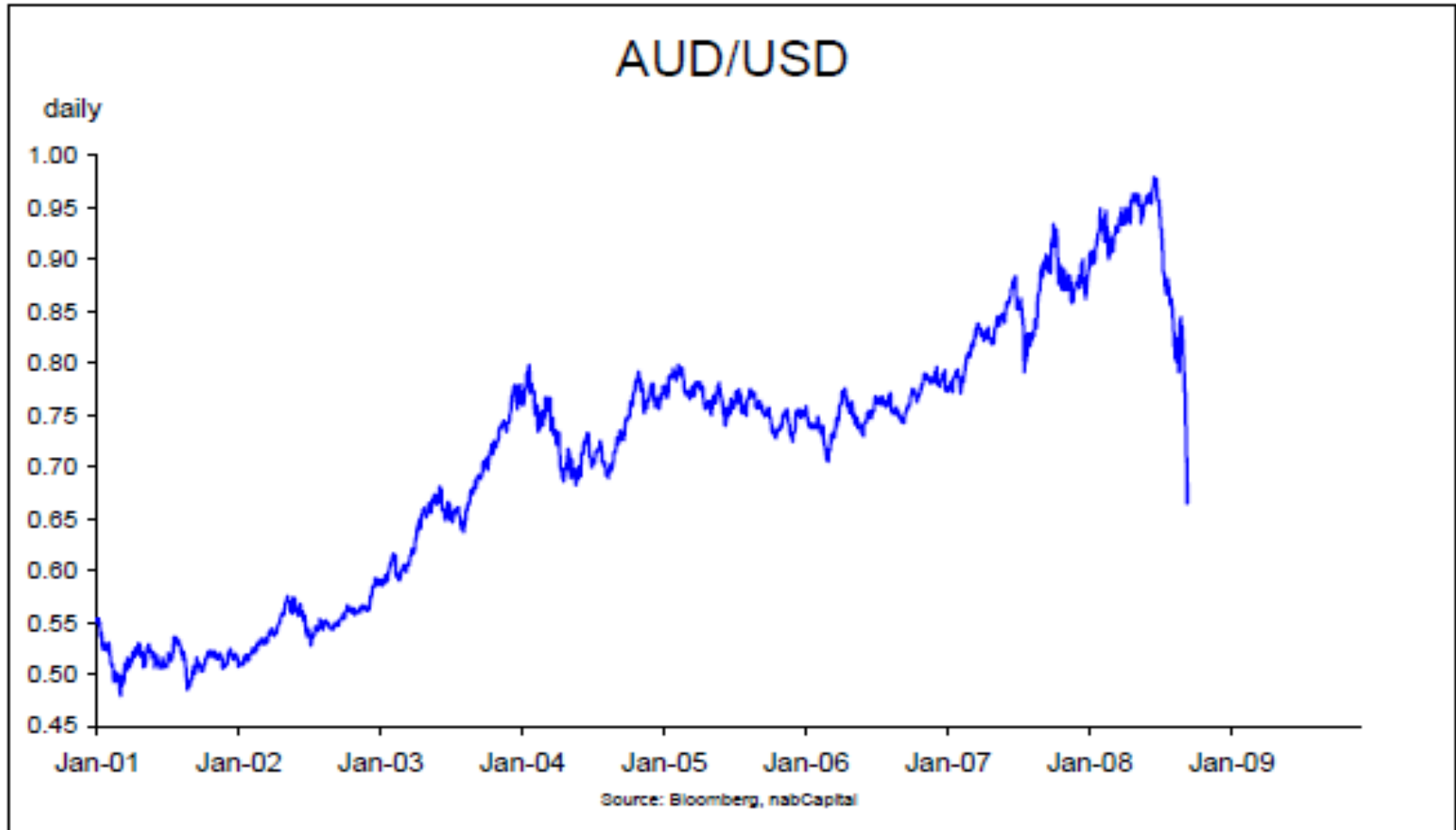
### New Dwelling Activity



Source: BIS Shrapnel



## A\$ Strength has Assisted Importers Until Recently





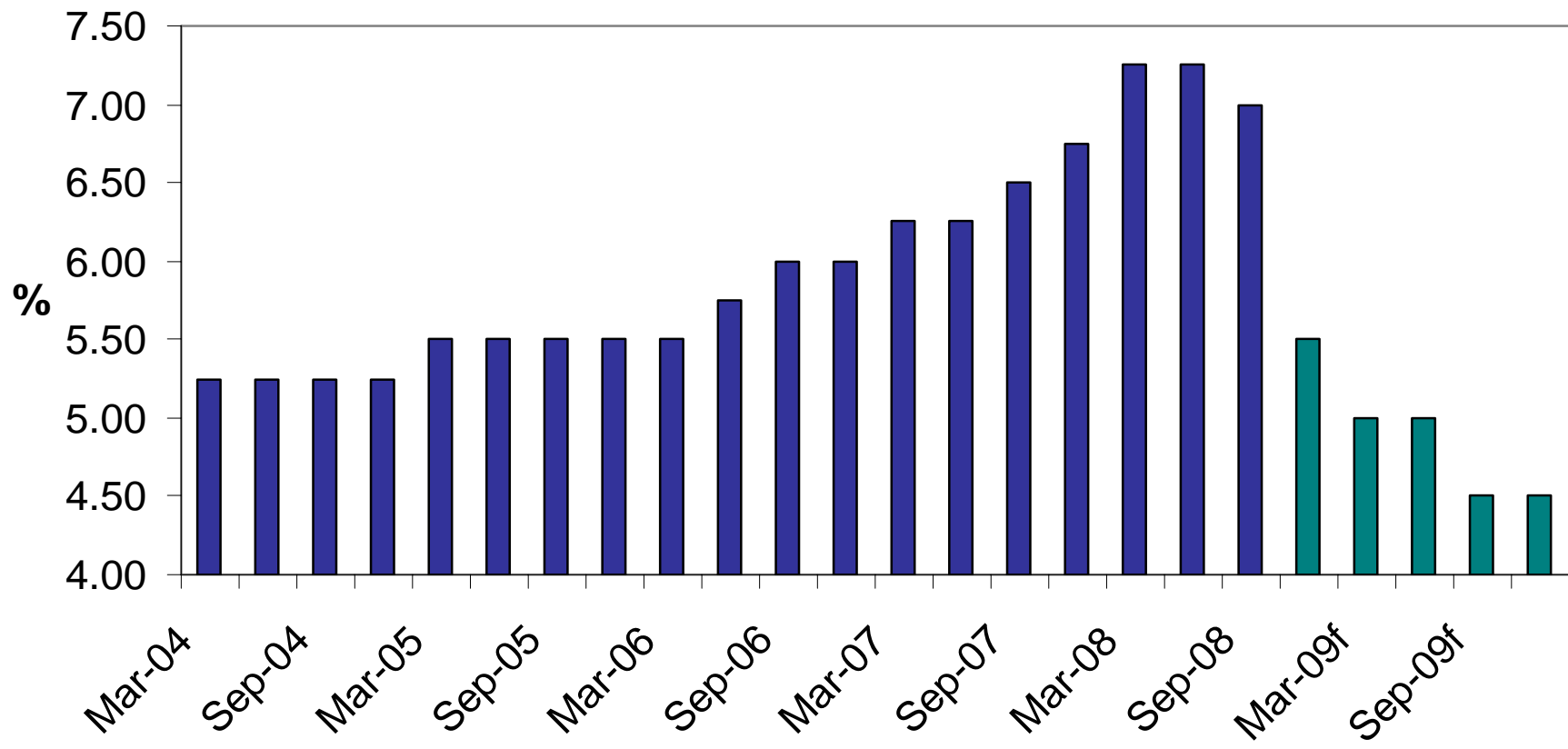
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# *Economic Uncertainty*



# Interest Rates Down

## Australian Interest Rates

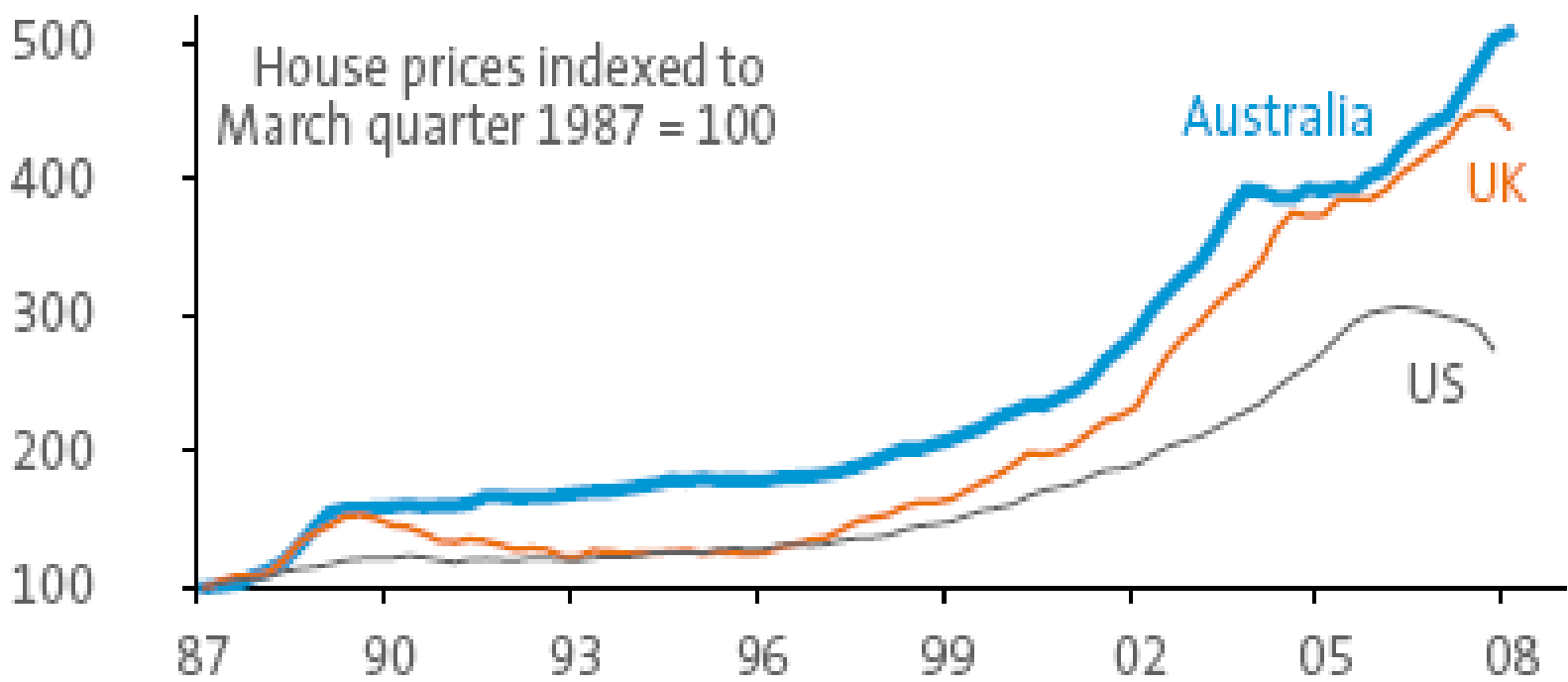


Source: NAB



## House Prices Expected to Fall

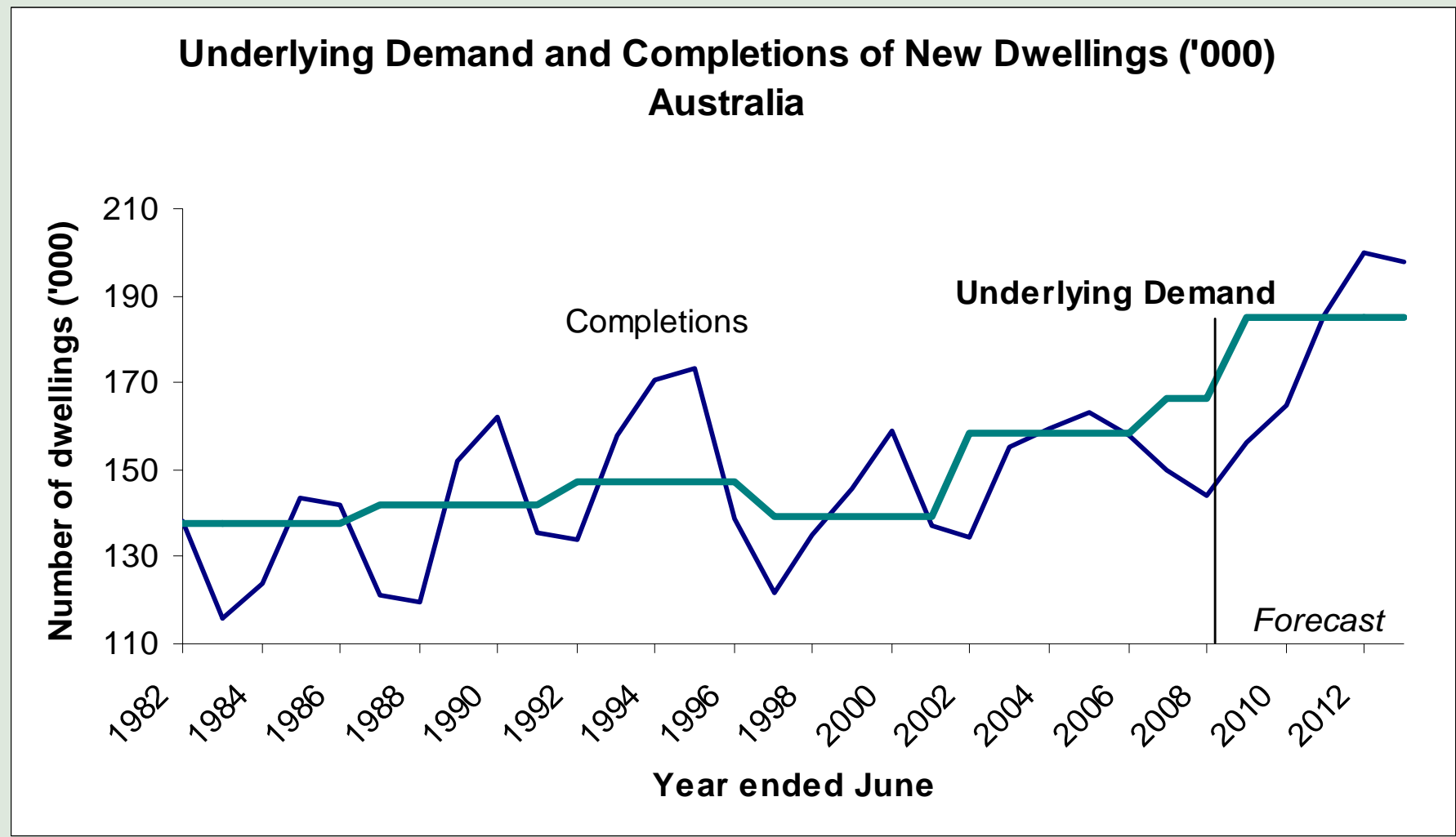
The Australian house price bubble has been bigger than in the US or UK



Source: Case-Shiller, Nationwide, ABS, AMP Capital Investors



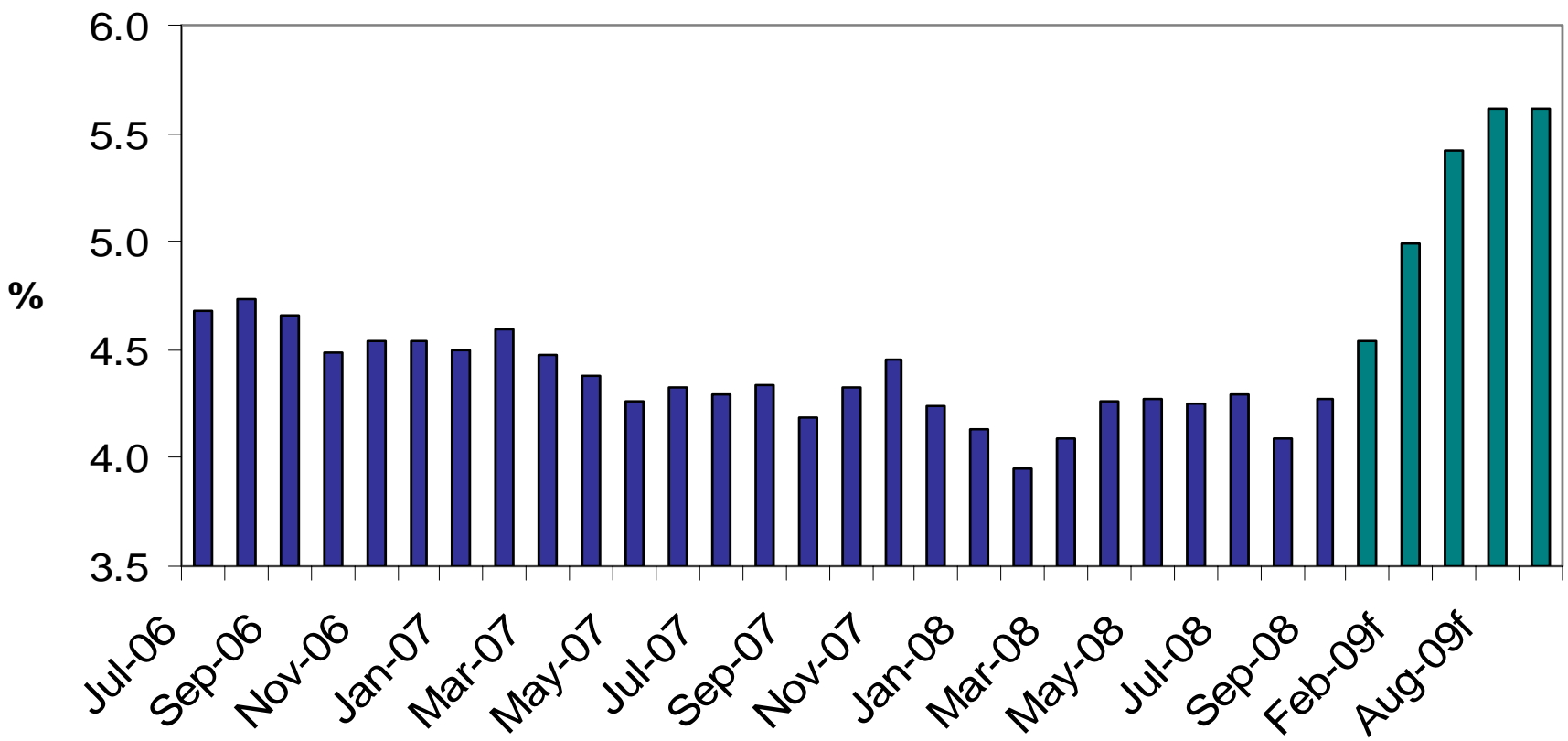
## Building Construction Less than Underlying Demand





# Unemployment Expected to Rise

## Unemployment Rate



Source: BIS Shrapnel



## Rudd Package to Boost Demand

- \$1.5 billion Rudd Government initiative to stimulate housing activity
- Grant doubled from \$7K to \$14K for first home buyers purchasing established homes
- Grant tripled from \$7K to \$21K for first home buyers purchasing newly constructed homes
- HIA expects initiative to boost new housing starts by 15,000



## Result Highlights – Year to 30 June 2008

- Trading performance maintained despite lower sales in second half
- After tax result impacted by higher funding cost and a one off lower tax expense last year
- Restructuring largely complete and Wetherill Park yield now at target levels
- Progress in sale of non core assets with signing of MOU for management buyout of Wisa
- Strong cash flow reflects improved supply chain management. Net Debt levels reduced by \$32 million
- Ordinary fully franked final dividend of 8 cents declared
- Special dividend payment ceased and DRP reintroduced to support growth opportunities



## Trading Results – Revenue Growth in Lower Margin Businesses

	2007/08	2006/07	
	<u>\$000's</u>	<u>\$000's</u>	Change
Sales Revenue	648,902	636,124	+2.0%
Trading EBIT	99,394	98,754	+0.6%
Trading Margin	15.3%	15.5%	
Trading Profit after Tax	60,159	61,413	-2.0%
Restructuring after Tax	14,269	5,095	
Net Profit after Tax	45,890	56,318	



## Strong Cash Flow Reflects Improved Supply Chain Management

	2007/08 \$000's	2006/07 \$000's
Cash flow from operating activities	102,992	24,841
Net Tax Paid	14,279	21,100
Plant and Property sales	14,492	1,719
Capital Expenditure	22,235	21,516
Inventory levels	100,806	128,211
Net debt	193,557	225,614
Gearing – Net debt/ net debt plus equity	33%	36%



## Cessation of Special Dividend but Ordinary Dividend Payout Maintained at 85% of Trading Profit

	2007/08	2006/07
Trading earnings per share	21.5 cps	22.0 cps
Final Dividend (Fully Franked)	8 cps	10.5 cps
Total Dividend Ordinary	18 cps	18 cps
Special	1.5 cps	4 cps
<b>Total Dividends (Fully Franked)</b>	<b>19.5 cps</b>	<b>22.0 cps</b>



## Results – 2007/08

### Segment Performance – Building Fixtures & Fittings

	2007/08	2006/07	Change
	\$000's	\$000's	
Sales Revenue	558,657	546,938	+2.1%
Segment Result	87,923	107,363	
Restructuring	21,629	3,158	
Trading EBIT	109,552	110,521	-0.9%



## Segment Performance – Building Fixtures & Fittings

### Caroma Dorf

Lower trading EBIT was impacted by:

- Lower sales in Australia and New Zealand
- Underperformance by the Clark and Wisa businesses
- Continuing business transition costs

Wetherill Park sanitaryware factory achieving targeted yield

### Gainsborough

Continuing good trading EBIT performance

### DUX

Sales recovery from new environmental products

Trading EBIT reflects sales improvement



## Results – 2007/08

### Segment Performance – Furniture

	2007/08	2006/07	Change
	\$000's	\$000's	
Sales Revenue	56,864	56,794	+0.1%
Trading EBIT	3,369	3,619	

Flat sales reflect impact of higher Australian Currency on export competitiveness

Profit result reflects some benefits from restructuring offset by lower export profitability



## Results – 2007/08

### Segment Performance – Mowers

	2007/08	2006/07	Change
	\$000's	\$000's	
Sales Revenue	33,381	32,392	+3.1%
Trading EBIT	370	(443)	

Slower than planned ramp up of sourcing from China restricted benefits from restructuring

Lag in profit improvement due to sale of high cost Australian made inventory as China supply came on line

Difficult trading conditions in 08/09



## **GWA is Positioned to Grow Earnings From Existing Businesses**

Restructuring initiatives have improved competitiveness

Environmental legislation and initiatives are creating new business opportunities

Product innovation will continue to drive new market opportunities

Movex ERP system will streamline business processes from mid 2009

GWA has financial capability to invest in our core businesses



## **Strategies and Options for Inorganic Growth Are Being Pursued**

Asset values have reduced, particularly in small to mid cap companies

Strong balance sheet provides scope for growth whilst maintaining investment grade metrics

Supportive banks and stable shareholders provide access to funding

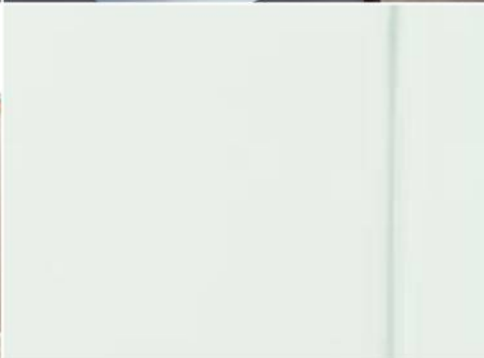
Global supply capabilities are now a strength

We will be patient to ensure acquisitions achieve our financial targets



## 2008/09 Year Prospects

- First quarter trading is slightly above last year but it will be difficult to maintain trading EBIT in line with the first half of last year
- Improved product cost competitiveness and lower Australian currency will benefit results as market recovers
- Asset values are falling and the Company is assessing acquisition opportunities
- Market uncertainty and further decline in building activity in second half makes it too difficult to provide full year profit guidance



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