



GWA International Limited
ABN 15 055 964 380

23 July 2009

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

GWA Announces Trading Update

Australia's largest supplier of fixtures and fittings for households and commercial premises, GWA International Limited, announced a trading update with further details to be released at the full year profit release on 18 August 2009.

Trading Results

Trading conditions for the second half have been stronger than expected with sales slightly higher than the first half, and approximately 12% higher than the corresponding period last year.

Weak underlying dwelling demand has continued to be predominantly offset by market and product development activities in the environmental water heating and Do It Yourself markets.

EBIT margins are in line with the first half but below last year due to the loss of higher margin sales and market development costs. Based on unaudited management accounts, trading EBIT for the full year is expected to be in the range of \$85 million to \$87 million.

The Company reported strong operating cash flow with inventory reduction targets being exceeded and net debt reduced by \$38 million from \$193 million at December 2008 to \$155 million at June 2009. This includes the acquisition of Austral Lock in January 2009 for \$12 million which was funded through operating cash flow.

A review of operations has been conducted in the last quarter and plans are well advanced for restructuring some operations and reducing overhead costs following the implementation of the Movex ERP system at Caroma Dorf in September 2009. The cost impact of this is being finalised and a restructure charge of approximately \$4 million will be raised at year end. We expect the restructure costs to be offset by cost reductions during the 2009/10 financial year.

Net profit after tax including restructuring costs for the full year is expected to be approximately 5% higher than the year ended June 2008.

Funding

As previously advised, GWA has exited the BNP Paribas loan facilities through surplus operating cash flow and utilising existing facilities with other lenders. In addition to this, GWA has finalised \$20 million of additional loan facilities with a new bank, HSBC Bank Australia Limited.

The new facility will give capacity for debt funded acquisitions when the opportunity arises. GWA acknowledges Commonwealth Bank of Australia, Australia and New Zealand Banking Group Limited, National Australia Bank Limited and HSBC Bank Australia Limited for their continued support.

Capital Management

GWA's policy of paying a high proportion of earnings as dividends will continue through the downturn in the economic cycle.

A decision on the quantum of the final dividend will be made after the full year audited results have been reviewed by the directors and we have updated our view on profit outlook for the 2009/10 financial year. The decision will be communicated with the results announcement but given adequate franking credits the intention will be to hold the full year ordinary dividend as much as possible to prior year levels.

For further information call:

Peter Crowley
Managing Director
GWA International Limited
(07) 3109 6000

Tim Allerton
City PR
(02) 9267 4511