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ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Trading Update

GWA Group Limited today provides an update on first quarter trading for the 2012/13 financial year.

Continuing weak conditions are being experienced in new dwelling construction and renovation, and low consumer confidence is impacting activity levels. These weak demand conditions, in conjunction with the continuing impact of the strong Australian dollar and increasing import competition, have resulted in first quarter sales falling 12%, and trading earnings before interest and tax falling 41% on the corresponding quarter last year. We do not expect this decline to be reflective of the group's full year performance.

Given the current weak state of dwelling and renovation activity levels, we do not expect any recovery in new building to flow through until late in 2012/13, despite recent easing of interest rates by the Reserve Bank of Australia and various government stimulus packages to improve new housing construction.

Building fixtures and fittings products supplied by the GWA Group are usually sold as buildings approach completion. Given the time lag between dwelling approvals to commencements to completions - typically a 6 to 8 month period - it is unlikely that sales for GWA will recover during the 2012/13 financial year.

As a consequence of the sharp deterioration in earnings, GWA management is taking strong action to review operating costs and focus on cash generation over the balance of this financial year. The objective of this review is to improve and protect GWA's margins, while maintaining the Company's strong financial metrics.

The Managing Director, Mr Peter Crowley confirmed that GWA is giving significant focus to its value chain in order to achieve maximum efficiency at the lowest total cost.

Mr Crowley stated that "In view of the sustained market downturn and competitive pressures, GWA must ensure it is delivering a strong value proposition to our customers, at the lowest possible total cost. We believe there are further opportunities to improve business efficiency across the group and I expect our trading performance to improve over the second half".

As part of the review process, a change in key management has been effected. Mr Les Patterson will take on the role of Chief Executive of the GWA Bathrooms & Kitchens division with immediate effect, replacing Mr Neill Evans who has left the company. Mr Patterson has held a variety of senior management roles with GWA over the last 8½ years, most recently as Chief Executive of the GWA Heating & Cooling division.

Due to the current market uncertainty, no guidance has been provided for the 2012/13 financial year. An update on the full year financial outlook will be provided with GWA's half year results in February 2013.

For further information call:

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