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GUD Holdings Limited
245 Sunshine Road
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Victoria, 3020

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Title: Open Briefing. GUD Holdings. CEO on \$20.3m Profit & 55% Div Rise

Record of interview:

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GUD Holdings Limited today reported a 53 percent increase in profit after tax to \$20.3 million in the six months to December 2003. The interim dividend has risen 55 percent to 17 cents fully franked. What is your dividend policy?

CEO Ian Campbell

As a general statement, we want to be a company that's known to consistently increase dividend payments. If we grow our EPS we're obviously in a strong position to fulfil that basic objective. We pay out what is in shareholders' best interests. We don't adhere to a strict payout ratio as a prescriptive policy may not always be appropriate.

In terms of the current interim dividend, we are not stretching our capacity as the rise is basically in line with the reported EPS, which was up 54 percent to 33.4 cents. As all business units are performing to expectations and as we continue to target double digit profit growth we'd expect further rises from this level.

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Given your low gearing, is a special dividend likely?

CEO Ian Campbell

You never say never but it's not a favoured option. Although we carry a small surplus of franking credits and expect to fully frank dividends for the foreseeable future we don't have the capacity to frank a significant special dividend and payments of unfranked dividends are not the best use of shareholder funds.

We'll continue to seek the right balance between dividends, other capital management strategies and growth. All our businesses are performing well and the group is on track to achieve CVA returns for the full year approaching 20 percent. Both small and large acquisitions are also on the agenda and we'll continue to assess those options in 2004.

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Net debt fell to \$23.6 million from \$53.3 million this time last year and you've predicted near zero net debt by June 2004. What acquisitions are you planning?

CEO Ian Campbell

Our strategy with regard to a larger acquisition hasn't changed. Our aim is to acquire a new stand alone business selling and distributing branded products in the consumer or industrial markets. The business may be a privately owned family operation of some scale or a non-core asset of a larger business.

We're also seeking smaller bolt-on acquisitions and we'd expect to make progress on one or two of these in the near term. These smaller acquisitions will lift our capability within our existing business units and should immediately add to profit momentum.

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In relation to the latest six months, reported EBIT rose 43 percent to \$30.4 million. Can you continue to extract gains from existing businesses or are you nearing optimal performance?

CEO Ian Campbell

There is more to come out of each business.

All business units are rolling out new products and seeking further operational and supply chain efficiencies. We have tremendous brand strength and we are growing market share as we broaden our product range in existing categories and enter new categories. The roll-out is the result of planning over the past couple of years. We've invested in technical skills and coupled with those we access externally, we're developing better designs and products. Our costs are tightly controlled as we constantly review our options to source product from offshore through technically pre-qualified suppliers and technology partners.

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To what extent can you attribute the strong lift in GUD earnings to the strength of the Australian dollar?

CEO Ian Campbell

It's had a modestly positive impact and the benefit should be sustained in the current period as inventory flows through the supply chain. The positives are partially eroded by lower returns from exports and the fact that some of our domestic manufacturing competes with imports.

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In December you announced the partial restructuring of Ryco's automotive filter manufacturing capability and the plan to source more product from offshore. To what extent was this decision based on the strength of the Australian dollar?

CEO Ian Campbell

It was a factor but not the pivotal reason. We've outsourced part of the more-expensive-to-make Ryco range to a more cost efficient offshore supplier. We've improved the Ryco cost base and we expect a payback on the \$3 million expense by December this year. It'll make Ryco a better and more flexible business. Would we have made the decision if the currency was a bit lower? Yes. We won't regret our move if the currency comes back to 65 cents.

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Sunbeam Victa sales rose 14 percent to \$121.7 million and trading EBITA increased 58 percent to \$19.4 million. It was the most significant sales increase by Sunbeam Victa in recent periods. Can you sustain positive top-line growth?

CEO Ian Campbell

Yes. The Sunbeam appliance market share in Australia is rising due to our entry into new categories such as espresso coffee machines and heating products and that's helping to smooth our sales and market share on a month-to-month basis. We still have sales peaks at Christmas and Mothers' Day but these peaks are relatively smaller due to our wider product offering.

In New Zealand, we're only just beginning to see the benefits of Sunbeam's more focussed sales and marketing approach. We've recognised the differences in consumer preference in New Zealand and we've thought through our products and channels-to-market in far greater detail than in the past.

Victa is also seeking growth through new products and via export markets. Currently exports represent less than 10 percent of total sales and we're developing a strategy that will lift sales substantially in the northern hemisphere over the next 3 years.

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To what extent is GUD vulnerable if the cycle turns down?

CEO Ian Campbell

We're seeking sales and profit growth from new and better products delivered efficiently to market. Our expectations won't change if interest rates edge up further. After restructuring all businesses, we've got a cost base that's far more flexible and more geared to growth, even in tough markets. We don't expect to drop to the bottom of the pack if markets slow. In 2004 we expect record full-year EPS and further dividend growth.

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Thank you Ian.

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