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GUD Holdings Limited
245 Sunshine Road
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Title: Open Briefing. GUD Holdings. CEO on Recent Trading Performance

Record of interview:

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GUD Holdings Limited Chairman noted at the AGM in October that trading was ahead of last year's first quarter. In the full year ending June 2004, GUD increased trading EBIT 41 percent to \$62.6 million. What is the outlook for FY05?

CEO Ian Campbell

We anticipate our trading EBIT will be ahead of last year's result but below the consensus of broker forecasts which predict growth of 9 percent. Last year's EBIT increased 41 percent to \$62.6 million from \$44.3 million. That result included a \$6 million boost to EBIT from the favourable shift in currency throughout the year. Excluding last year's currency uplift, this year's trading EBIT still exhibits reasonable growth.

Further out, consensus broker forecasts suggest a trading EBIT of \$70 million in FY06. That's a reasonable target, given the underlying momentum in our business and the continuation of reasonably buoyant Australian economic conditions. But we will not finalise our FY06 budget until May next year.

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How is the business performing on a divisional basis?

CEO Ian Campbell

Sunbeam continues to perform strongly, driven by new products. Victa is below expectations due to the impact of water restrictions on demand and competition from low quality, low value imports. Ryco sales have also been squeezed due to import competition. Davey and Lock Focus are in line with expectations.

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What is the outlook for the dividend in FY05?

CEO Ian Campbell

Our clearly stated aim has been to maintain consistent dividend growth. Our dividend payout ratio is well below our peer group and we have plenty of room, given our under-gearred balance sheet, to maintain dividend increases this year. Last year, our annual dividend increased 54 percent to 40 cents and we'd expect to sustain a double-digit percent increase this year.

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To what extent have you experienced higher raw material prices and have you been able to protect margins?

CEO Ian Campbell

Raw material prices such as plastics, steel and polyester fibre have increased. All our businesses, regardless as to whether we import or locally manufacture, consume steel but the increases have specifically impacted Victa and the Ryco/Wesfil filtration business. Polyester fibre is an essential component of our electric blanket business and its price has increased 44 percent over the prior year largely due to the stronger oil price. However, we've managed to offset the negative impact through better efficiencies following our move to relocate manufacturing from New Zealand to China. In this instance, we've managed to protect our margin.

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When will earnings within the filtration business reflect the benefit of your decision to close Australian manufacturing and source Ryco filters from offshore suppliers?

CEO Ian Campbell

Domestic manufacturing will cease in March 2005 and we've been actively building two to three years cover for some of the lower volume and slower moving parts. The success of our strategy to source from offshore will be evident in FY06.

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At June 30 2004, net debt was only \$17.6 million. What is the likely movement in net debt this year?

CEO Ian Campbell

Our net debt at year end will be below last year's \$17.6 million. As is typical for us, net debt will rise in the first half year as we fund the strong November and Christmas sales period and it will decline in the second half year. The movement in net debt will also reflect the Spa-Quip acquisition.

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Have you made any progress on a major acquisition?

CEO Ian Campbell

Nothing I can report to date.

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Thank you Ian.

For further information on GUD Holdings Limited visit www.gud.com.au

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