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GUD Holdings Limited announced earlier today a 5.3 percent reduction in EBITA to $63.5 million in the year ending June 30 2005. How do you assess the result and what were the main drivers in FY05?

CEO Ian Campbell
Our second half was in line with our January guidance. We said the second half would match last year's second half and we've reported EBITA of $31.6 million versus last year's second half EBITA of $32.0 million.

Although it made a positive contribution to EBITA, Victa underperformed throughout FY05. It was considerably down on where it should have been and where we know it can be. Our other businesses generated solid returns in a trading environment that was clearly more challenging due to the patchy nature of consumer spending. We started to see a slowdown in October November 2004 and we had a tough Christmas. In the fourth quarter, electric blankets, a big part of Sunbeam's second half suffered from the record warm weather in May. There were very few easy wins in FY05.

But, our financial ratios remain sound. Excluding the Ryco restructuring charge, the group cash value added return remained well over the cost of capital at 18.1 percent, our return on equity was 27.8 percent and we kept margin contraction to a minimum due to tight cost control. Our EBITA to sales margin was down only slightly to 16.1 percent from 17 percent last year.

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Sunbeam and Victa are part of the Consumer Products division which reported a 3.6 percent drop in sales and a 17 percent drop in EBITA to $30.9 million. Can you detail the contribution of the Sunbeam and Victa businesses in FY05 and give some insight into the outlook for each business?

CEO Ian Campbell
The lower sales result and the drop in EBITA within Consumer Products is due almost entirely to the disappointing performance of Victa. We've altered our strategy within Victa during FY05 and we enter the new financial year with a clear plan to lift returns. Victa has stronger listings than last year as buyers have recognized the superior reliability of our product, at all price points, versus some of the newer entrants. The Victa underperformance is an opportunity in FY06.

Sunbeam has performed well. We continue to benefit from new products and our offshore sourcing strategy. The move to manufacture electric blankets in China through our sourcing and technology alliance helped to maintain returns. Also, we've continued to grow our market share in segments such as juicers and in future we'll benefit from some small product acquisitions such as the Emjoi range, which complements the Sunbeam personal care range, and Foodsaver, a vacuum sealed food preserver.

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Victa, like Sunbeam, was restructured following the move out of the Campsie factory in mid 2002. Why hasn't Victa generated much stronger returns following the Campsie exit?

CEO Ian Campbell
When we moved Victa from Campsie to Moorebank, we had two main competitors, both of them local. The Victa business was restructured to be the lowest cost producer in Australia and it has achieved the targets we set. But, with imported product from China entering Australia we've not captured the sales and margins we planned and further adjustments to our plans, including the need to source a greater proportion of product offshore, have been necessary.

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What's Victa going to look like in a couple of years?

CEO Ian Campbell
It will be a far more efficient assembler and sourcer of product and it will compete more effectively at the opening price points as required by the mass merchants. We are in China next week meeting with our approved suppliers. Victa will continue to offer specialized product through the Victa gold dealer network and it will continue to assemble in Australia.

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The Water Products division reported a 21 percent increase in sales and a 30 percent increase in EBITA to $17.7 million. What underpinned the stronger performance and can you sustain growth at this pace?

CEO Ian Campbell
We're very pleased with the growth in Davey, the performance of the recently acquired Spa-Quip and the outlook for our Water Products business generally.

Revenue within Water Products has increased to $88 million in FY05 from $72 million previously and we'd expect to exceed sales of $100 million in the current year due to the benefits of further organic growth and acquisitions. Water Products is a growth division within our portfolio. We've completed the integration of the Spa-Quip acquisition and we'll integrate Contamination Control, purchased in April, throughout this year. EBITA to sales margins are also improving and edged up another 1 percent this year to 12 percent.

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Can you describe the Contamination Control business?

CEO Ian Campbell
We acquired the business in April for a cost of around $6 million as part of our bolt on acquisition strategy. Its product range is based around its ultra-violet technology that neutralizes or disinfects bacteria in drinking water. The business has been very successful in New Zealand and we hope to grow its sales through Australian and international distribution. There are many potential applications for households and small towns and the signs at this early stage are quite encouraging.

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Automotive Products reported a 9 percent reduction in sales and a 6 percent reduction in EBITA to $17.7 million. Will your restructuring activity reverse the trend?

CEO Ian Campbell
Our immediate focus will be to get the supply chain properly honed, given that this will be our first full year of 100 percent imports. Once that is settled we will expand our product line offering into cabin air filters and into transmission filter kits. We will also look at branding complementary trade consumable products under the Ryco brand. Wesfil has built a national distribution network and it can now expand into regional centres starting with Townsville.

Our objective in Automotive Products will be to grow sales and hold margins steady. It will remain a very competitive market. In recent years we've increased margins despite a flat to declining sales base.

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You recently announced the $35 million acquisition of the Oates household and commercial cleaning products business. What opportunities do you perceive for this business?

CEO Ian Campbell
It can grow organically and through acquisitions. There are opportunities for organic growth in New South Wales where our market share is not as strong as it is in other States and in New Zealand. We will actively review bolt on acquisitions to build the Oates business.

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In your outlook statement you've forecast FY06 profit to exceed FY05 profit. Given the contribution you expect from Oates why aren't you more optimistic?

CEO Ian Campbell
We are relatively optimistic for FY06 but we are not prepared to provide specific targets for profit growth while domestic markets remain unpredictable. We expect to be a little more definitive on the profit outlook at the AGM in October and then again with our half year result in late January.

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Thank you, Ian.

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

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