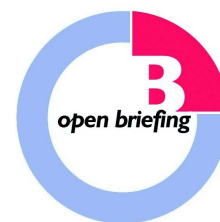


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GUD Holdings Limited
245 Sunshine Road
Sunshine
Victoria, 3020

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GUD Holdings Limited's AGM was today told by the Chairman that trading in the first quarter was strong with every business trading above budget and last year. What were the key drivers of that growth?

CEO Ian Campbell

In Australia the Water Products division is performing well with strong momentum in underlying demand. Water conservation consciousness among consumers is driving solid sales growth of domestic water conservation products. The Division's performance is also benefiting from the cost reductions implemented last year and a recovery in the previously underperforming Monarch pool business.

Our Consumer Products business is also performing well driven by Sunbeam which continues to win market share due to success with its exciting new product line up. Victa has performed strongly in the first quarter but we are concerned that drought conditions will adversely impact performance as the year progresses.

In New Zealand our financials are improving significantly. Sunbeam is continuing to close the gap on the small electrical appliance market leader and we are reaping the benefits of the previously announced restructuring of our Automotive Products business.

We've also been assisted by the strength of the Australian dollar which reduces the cost of overseas sourced product and has led to an uptick in gross profit margins. But there are emerging cost pressures from suppliers and our competitors have also benefited from the dollar's strength. We expect the marketplace to remain very competitive.

On the positive side, the dollar strength should assist the payback from recent restructuring efforts in both Automotive Products and within Oates where we have moved to sourcing product from offshore rather than make in New Zealand or Australia.

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In FY07 Water Products lifted EBIT by 29 percent to \$19.1 million on revenue growth of 54 percent compared with the preceding corresponding period. What is your strategy for growing Water Products?

CEO Ian Campbell

This is a growth market and our aim is to reach a larger proportion of the metropolitan and regional consumers with existing and new products for use across a broader range of daily activities. The last six months have seen unprecedented demand for water tanks and other water storage and re-use products. Building on the strength of the Davey brand is an important part of the strategy.

Recent acquisitions are also helping us to tap export markets, particularly in Europe. Now that we are familiar with the businesses acquired over the last two years, that is Spa-Quip, Contamination Control and Monarch, we can also benefit from integrating manufacturing and distribution.

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Can the strength of demand within the Water segment be sustained?

CEO Ian Campbell

Consumer awareness of water issues is rising and given the prevailing dry conditions in many parts of the country we see no near term reduction in demand. The positive trend is assisted by Government regulation where there is a trend to make water tanks mandatory in new homes. Governments are also introducing incentives for existing homes to install storage tanks and other water saving systems.

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Demand for lawn mowers is shrinking due to drought conditions in many parts of Australia. What is the future of Victa?

CEO Ian Campbell

Victa is a very well known brand and it is now being repositioned across a wider range of garden care power tools. We've identified a number of new products to generate growth, including a range of Victa line trimmers and a new model of electric-powered outdoor vacuums, the Victa Vac and Blow. The financial

performance of the new Victa products is very encouraging but overall returns remain under pressure due to tough mower market conditions.

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In July you announced that the Oates cleaning products business would be restructured. What progress have you made with the restructure?

CEO Ian Campbell

Oates currently operates manufacturing plants in Melbourne and Perth and both of these will be closed in the current financial year. The process of identifying and qualifying offshore suppliers in a number of locations including China and Sri Lanka, is well underway and progressing in line with our timetable. We've discontinued the distribution of Bissell, which was the underperformer in FY07. The restructuring cost remains \$5.9 million after tax and we continue to expect a rapid payback in line with previous restructuring efforts.

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What impact will the cost of the Oates restructuring have on your dividend?

CEO Ian Campbell

We aim to maximise total shareholder returns and growing the dividend is an important part of the total return. We will benchmark our dividend payment against net profit excluding the one-off Oates restructuring cost. This is consistent with previous years.

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In FY07 the dividend payout ratio was just over 100 percent based on your annual dividend per share of 61 cents and the FY07 EPS excluding restructuring costs of 60.2 cents per share. Will you sustain that high payout ratio?

CEO Ian Campbell

We are not locked into any particular payout ratio. Our focus has always been to consistently increase the dividend payment. Our balance sheet remains strong and in the absence of anything unforeseen, I'd expect our dividend growth to match or be similar to EPS growth.

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Given your strong first quarter why didn't you upgrade your full year guidance?

CEO Ian Campbell

In July we set ourselves the FY08 target of 10 to 15 percent EBIT growth excluding the Oates restructuring cost and we are delighted to reaffirm that as a realistic target.

We're anticipating buoyant Christmas trading and we are very confident of a strong first half result. But, the market remains very competitive and cost pressures are evident in many areas. There is no change to the full year forecast.

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Thank you Ian.

For further information on GUD Holdings Limited visit www.gud.com.au or call Ian Campbell on (03) 9243 3333

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