

UBS Investment Research

GUD Holdings Limited

FY07 result in line - Corporate activity remains the focus

■ FY07 NPAT of \$33.6m in line with UBSe (\$33.5m), down 16.6% on pcp

GUD reported FY07 NPAT of \$33.6m, in line with UBS estimates. A final dividend of 34cps was declared. The 16.6% decline yoy reflected \$2.4m of after-tax restructuring costs, \$2m of currency hedging costs, and poor operating performance within Oates and Victa. Going forward management expects operating conditions to improve, guiding to an FY08 EBIT range 10-15% ahead of FY07, suggesting c4%-9% consensus upgrades.

■ FY08E & FY09E EPS increased 7.0% and 6.4% respectively

On the back of positive guidance we have increased our FY08 and FY09 EPS forecasts 7.0% and 6.4% respectively. Within our estimates we assume c5% sales growth within water products and more modest sales and margin growth across the other divisions.

■ Maintain Neutral 2 – Corporate activity the catalyst

While we maintain our Neutral 2 rating, we would highlight the potential upside from any corporate activity. At current levels GUD is trading at a c3% PE premium to peers.

■ Valuation increased to \$12.45

Our valuation is based on a sum of the parts, which we believe best reflects the value from a corporate break-up perspective.

Highlights (A\$m)	06/06	06/07	06/08E	06/09E	06/10E
Revenues	468	524	543	556	572
EBIT (UBS)	64	60	68	69	71
Net Income (UBS)	40	36	43	45	47
EPS (UBS, A\$)	0.67	0.60	0.71	0.75	0.78
Net DPS (UBS, A\$)	0.60	0.61	0.65	0.70	0.72

Profitability & Valuation	5-yr hist av.	06/07	06/08E	06/09E	06/10E
EBIT margin %	13.4	11.5	12.5	12.5	12.5
ROIC (EBIT) %	32.6	28.1	29.3	30.6	32.0
EV/EBITDA (core) x	6.2	7.7	9.8	9.7	9.5
PE (UBS) x	12.3	13.5	16.0	15.1	14.6
Net dividend yield %	6.8	7.5	5.7	6.1	6.4

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of A\$11.35 on 26 Jul 2007 19:41 BST

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Global Equity Research

Australia

Auto Parts

Rating **Neutral 2**
Unchanged

Price target **A\$12.45/US\$11.00**
Prior: A\$8.60/US\$7.60

Price **A\$11.35/US\$10.02**

RIC: GUD.AX BBG: GUD AU

26 July 2007

Trading data (local/US\$)

52-wk range	A\$11.70-6.71/US\$10.30-5.08
Market cap.	A\$0.68bn/US\$0.60bn
Shares o/s	59.9m (ORD)
Free float	100%
Avg. daily volume ('000)	312
Avg. daily value (A\$m)	3.0

Balance sheet data 06/08E

Shareholders' equity	A\$0.13bn
P/BV (UBS)	5.1x
Net Cash (debt)	(A\$0.10bn)

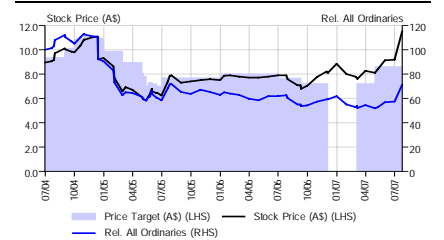
Forecast returns

Forecast price appreciation	+9.7%
Forecast dividend yield	8.1%
Forecast stock return	+17.8%
Market return assumption	11.4%
Forecast excess return	+6.4%

EPS (UBS, A\$)

	06/08E		06/07	Actual
	From	To	Cons.	
H1E	0.34	0.34	-	0.29
H2E	0.32	0.37	-	0.32
06/08E	0.66	0.71	0.65	
06/09E	0.70	0.75	0.69	

Performance (A\$)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8.

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FY07 Results Review

Solid result, takeover speculation to drive stock price

While today's result was weak, with reported EPS down 16% on pcp, it had been well flagged, coming in slightly ahead of the market's estimates.

GUD reported FY07 NPAT of \$33.6m down 16.6% on the pcp and in line with UBS estimates. A dividend final dividend of 34cps was declared.

The highlight within today's result, in our view, was the upbeat commentary on the outlook. Management has guided to 10-15% EBIT growth for FY08, implying 4%-9% consensus upgrades. Our revised estimates imply c12.8% growth. In our view there is potential upside to these estimates given:

- Strong organic growth (c5%+) and potential consolidation opportunities in the fragmented water products market.
- Relatively depressed comps for the Oates and Victa businesses
- Benefits from currency
- Performance of Sunbeam driven by product development and market share gains

Takeover speculation – what might GUD be worth to a potential acquirer?

The GUD stock price has risen 30% since the group announced it had received '*approaches in relation to the ownership of GUD*' in early July.

More recently Harbinger has emerged on the register, acquiring a c4.9% stake in a block trade at \$11.00, and more recently increasing this to c6.1%, at an average entry price (4.9% → 6.1%) of c\$11.36.

In our view Harbinger would likely be most interested in the consumer products divisions of GUD (Sunbeam, Oates and Victa), possibly with the intention to on sell the other divisions.

Under a potential break-up scenario we believe GUD could be worth \$12.45+, based on the following sum of the parts model:

Table 1: GUD Sum of the parts valuation

	FY08e EBIT \$m	EBIT Multiple x	Value (\$m)	Comment
Consumer Products	27.6	13.6	376	Highest implied 08E multiple paid for Housewares International stake by Harbinger (May 21)
Automotive	17.7	8.5	150	Repco takeover multiple
Water Products	22.1	13.6	301	Average of Pentair, Franklin Elec & Weir 08E multiple
Security Products	2.3	8.5	20	Mkt multiple
Unallocated			-1	
	-----	-----	-----	
Firm Value	69.7	12.1	846.0	
Investments			0	
Less Debt (\$m)			-102.1	
Equity Valuation (\$m)			743.89	
Total Diluted Ord Shares (m)			59.92	
SOP: Value per Share			\$12.45	

Source: UBS estimates, IBES consensus estimates for Pentair, Franklin Elec

Within the above SoP valuation we have valued each division on comparative FY08e EBIT multiples. The valuation implies 9.7% upside to todays close (26/7/07).

The Result – Well flagged & in line with expectations

Today's result at both a reported and normalised level was in line with expectations.

Table 2: GUD FY07 result vs pcq and UBSe

GUD Holdings Limited (A\$m)	FY06A	FY07A		UBSe FY07	
Revenues	467.7	524.0	12.0	511.8	2.3
EBITDA	70.7	73.0	3.3	71.9	1.6
Depreciation & Amortisation	(7.0)	(12.9)	(82.9)	(12.7)	(1.3)
Other Income	0.0	0.0	na	0.0	na
EBIT	63.6	60.2	(5.5)	59.2	1.6
Net Interest Expense	(6.7)	(9.0)	(33.7)	(7.8)	(12.6)
Earnings Before Tax	56.9	51.2	(10.1)	51.4	(0.3)
Tax Expense	(16.7)	(14.1)	16.0	(14.4)	2.1
Minority Interest and Equity Associate NPAT	0.0	0.0	na	0.0	na
Net Profit (pre-abnormals)	40.2	35.9	(10.6)	35.8	0.4
Abnormals after tax	-	2.3	na	2.3	0.0
Reported NPAT	40.2	33.6	(16.3)	33.5	0.4
DPS (cents)	60.0	61.0	1.7	60.0	1.6
Dividend Franking (%)	100.0	100.0	0.0	100.0	0.0
Reported EPS (cents)	67.1	56.2	(16.3)	55.9	0.4
Normalised EPS (cents)	67.1	60.0	(10.6)	59.8	0.4
EBITDA margin (%)	15.1	13.9	(7.8)	14.0	(0.8)
EBIT margin (%)	13.6	11.5	(15.6)	11.6	(0.7)
Interest cover (EBIT/Net Interest)	9.5	6.7	(29.3)	7.6	(12.5)
Tax rate (%)	(29.4)	(27.5)	6.6	(28.0)	1.8

Source: Company, UBS

- Reported NPAT declined 16.6% yoy, this was driven by three factors: 1) \$3.5m pre-tax one-off re-structuring costs in NZ 2) \$2m currency hedging cost 3) Poor operating performance by Oates and Victa (Drought).

- Operating cash flow for the period was weak, down 31%, due to margin compression and one-off costs. We expect this to improve materially in FY08.
- The balance sheet remains healthy, with gearing (debt:[debt + equity]) of 40.1% and EBIT interest cover of 6.7x.

Divisionally water products continued to account for an increasing proportion of group earnings, representing c30% of FY07 EBIT versus c22% in FY06. Going forward we expect this trend to continue.

Earnings & Valuation:

Our new \$12.45 valuation is based on a sum of the parts (see above), which we believe best reflects the value from a corporate break-up perspective.

A valuation of \$12.45 implies a FY08E PE of 16.6x and a FY08E EV/EBIT of 12.1x. This represents a c3% PE and 6.1% EV/EBIT premium to peers.

Table 3: Closest peer valuation comparison

Stock	Price	PE			EV/EBIT		ROE		Yield	
		2007E	2008E	2009E	2007E	2008E	2009E	2008E	2008E	
Alesco Corporation	13.96	14.5.x	15.4.x	14.3.x	11.2.x	9.4.x	8.9.x	16%	5.2%	
GWA International Limited	4.39	19.5.x	16.4.x	14.9.x	13.6.x	11.7.x	10.6.x	15%	5.2%	
GUD Holdings Limited	11.52	13.5.x	15.9.x	14.8.x	9.3.x	11.7.x	11.3.x	24%	5.6%	
McPherson's Limited	3.94	13.2.x	11.0.x	9.9.x	10.2.x	9.7.x	9.1.x	13%	7.1%	
Housewares International Ltd	2.98	39.7.x	18.8.x	15.2.x	20.6.x	12.4.x	10.3.x	7%	4.0%	
Average		20.1.x	15.5.x	13.9.x	13.0.x	11.0.x	10.0.x	15%	5%	
<i>GUD Premium/(Discount)</i>		<i>-33%</i>	<i>3%</i>	<i>7%</i>	<i>-28%</i>	<i>6%</i>	<i>13%</i>	<i>60%</i>	<i>4%</i>	

Source: UBS estimates, IBES consensus estimates for McPhersons Ltd

We have revised our earnings estimates as follows:

Table 4: UBS earnings revisions

GUD Holdings Limited (A\$m)	Actual 2006	New 2007E	Prev. 2007E	(%) Change	New 2008E	Prev. 2008E	(%) Change	New 2009E	Prev. 2009E	(%) Change
Revenues	467.7	524.0	511.8	2.3	542.9	526.0	3.2	555.8	538.5	3.1
EBITDA	70.7	73.0	71.9	1.6	80.1	75.9	5.5	81.3	77.4	4.8
EBITA	63.6	60.2	59.2	1.6	67.6	63.3	6.9	69.4	65.1	6.3
EBIT	63.6	60.2	59.2	1.6	67.6	63.3	6.9	69.4	65.1	6.3
Net interest expense	(6.7)	(9.0)	(7.8)	(12.6)	(7.2)	(6.4)	(12.6)	(5.8)	(5.0)	(13.3)
PBT	56.9	51.2	47.9	6.5	60.4	56.9	6.2	63.6	60.1	5.6
Tax Expense	(16.7)	(14.1)	(14.4)	2.1	(17.8)	(17.1)	(4.3)	(18.8)	(18.0)	(3.9)
Tax Rate (%)	(29.4)	(27.5)	(30.0)	9.3	(29.5)	-	-	(29.5)	-	-
Minority Int. & Equity Ass.	0.0	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
Net Profit (normalised)	40.2	37.1	35.8	3.6	42.6	39.8	7.0	44.9	42.0	6.4
Reported NPAT	40.2	33.6	33.5	0.4	42.6	39.8	7.0	44.9	42.0	6.4
EPS (pre-abnormals)	67.1	56.2	55.9	0.4	72.4	67.6	7.0	77.6	72.7	6.4
EPS (normalised)	67.1	60.0	59.8	0.4	72.4	67.6	7.0	77.6	72.7	6.4
DPS	60.0	61.0	60.0	1.6	65.0	60.0	8.3	69.7	62.0	11.1
Operating Free Cashflow	71.0	58.7	53.4	9.0	73.0	69.9	4.4	72.8	69.8	4.1
Net Debt	(54.1)	(94.7)	(83.8)	(11.5)	(102.1)	(92.3)	(10.6)	(90.5)	(81.5)	(9.9)

Source: Company data, UBS estimates

Outlook:

Management has guided to 10-15% EBIT growth in FY08, driven by:

- Organics in Water products
- Organic growth and margin improvement in Sunbeam
- Advanced business improvement programs in Victa, Oates and Automotive
- Consistent dividend growth

Within our estimates we assume 13% EBIT growth for FY08, and a dividend of 65cps, implying a c90% payout.

GUD Holdings Limited

Income statement (A\$m)	06/03	06/04	06/05	06/06	06/07	06/08E	% ch	06/09E	% ch	06/10E	% ch
Revenues	375	396	395	468	524	543	3.6	556	2.4	572	2.9
Operating expenses (ex deprn)	-	-	-	-	-	-	-	-	-	-	-
EBITDA (UBS)	54	74	68	71	73	80	9.7	81	1.5	83	1.9
Depreciation	(8)	(10)	(6)	(7)	(13)	(12)	-3.4	(12)	-4.6	(11)	-3.4
Operating income (EBIT, UBS)	46	65	63	64	60	68	12.5	69	2.7	71	2.7
Other income & associates	(2)	(2)	(3)	0	0	0	-	0	-	0	-
Net interest	(4)	(2)	(4)	(7)	(9)	(7)	-19.4	(6)	-19.6	(5)	-10.7
Abnormal items (pre-tax)	(7)	(9)	(13)	0	(4)	0	-	0	-	0	-
Profit before tax	34	51	44	57	48	60	26.7	64	5.3	66	4.0
Tax	(12)	(16)	(13)	(17)	(14)	(18)	26.7	(19)	5.3	(20)	4.0
Profit after tax	22	36	30	40	34	43	26.7	45	5.3	47	4.0
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	22	36	30	40	34	43	26.7	45	5.3	47	4.0
Net Income (UBS)	29	44	42	40	36	43	18.6	45	5.3	47	4.0
Tax rate (%)	35	31	30	29	29	29	0.0	29	0.0	29	0.0
Pre-abnormal tax rate (%)	32	30	29	29	30	29	-1.1	29	0.0	29	0.0
Per share (A\$)	06/03	06/04	06/05	06/06	06/07	06/08E	% ch	06/09E	% ch	06/10E	% ch
EPS (local GAAP)	0.35	0.58	0.50	0.67	0.56	0.71	26.7	0.75	5.3	0.78	4.0
EPS (UBS)	0.47	0.72	0.69	0.67	0.60	0.71	18.6	0.75	5.3	0.78	4.0
Net DPS	0.26	0.40	0.50	0.60	0.61	0.65	6.6	0.70	7.2	0.72	4.0
Cash EPS	0.61	0.88	0.78	0.79	0.81	0.94	14.8	0.98	5.0	1.01	2.4
BVPS	2.10	2.34	2.22	2.36	2.32	2.21	-5.1	2.33	5.7	2.44	4.7
Balance sheet (A\$m)	06/03	06/04	06/05	06/06	06/07	06/08E	% ch	06/09E	% ch	06/10E	% ch
Net tangible fixed assets	37	37	27	30	30	28	-8.5	26	-6.7	25	-4.9
Net intangible fixed assets	51	58	63	84	106	101	-4.7	96	-4.9	91	-5.2
Net working capital (incl. other assets)	82	92	97	99	113	117	1.0	119	2.2	123	2.8
Other liabilities	(23)	(27)	(16)	(17)	(17)	(17)	0.0	(17)	0.0	(17)	0.0
Operating invested capital	148	160	172	196	233	229	-1.8	225	-1.9	221	-1.4
Investments	0	0	0	0	1	1	0.0	1	0.0	1	0.0
Total capital employed	148	160	172	196	234	230	-1.8	225	-1.9	222	-1.4
Shareholders' equity	127	143	134	141	139	128	-8.4	135	5.7	141	4.7
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	127	143	134	141	139	128	-8.4	135	5.7	141	4.7
Net debt / (cash)	21	18	38	54	95	102	7.8	90	-11.4	81	-10.4
Debt deemed provisions	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	148	160	172	196	234	230	-1.8	225	-1.9	222	-1.4
Cash flow (A\$m)	06/03	06/04	06/05	06/06	06/07	06/08E	% ch	06/09E	% ch	06/10E	% ch
Operating income (EBIT, UBS)	46	65	63	64	60	68	12.5	69	2.7	71	2.7
Depreciation	8	10	6	7	13	12	-3.4	12	-4.6	11	-3.4
Net change in working capital	0	(11)	(12)	6	(8)	(1)	-86.7	(3)	129.9	(3)	26.2
Other (operating)	0	0	0	0	0	0	-	0	-	0	-
Operating cash flow	54	63	56	76	65	79	22.1	79	-0.3	80	1.1
Net interest received / (paid)	(4)	(2)	(4)	(7)	(9)	(7)	-18.9	(6)	-19.6	(5)	-10.7
Dividends paid	(12)	(19)	(28)	(32)	(36)	(37)	1.7	(38)	2.8	(40)	7.2
Tax paid	(9)	(11)	(17)	(17)	(16)	(18)	11.9	(19)	5.3	(20)	4.0
Capital expenditure	(8)	(9)	(7)	(5)	(9)	(6)	-31.1	(6)	0.0	(6)	0.0
Net (acquisitions) / disposals	(3)	(18)	(11)	(35)	(37)	(5)	-86.8	(5)	3.1	(5)	3.8
Other	(4)	(2)	(6)	(6)	(8)	0	-	0	-	0	-
Share issues	0	1	0	0	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	14	2	(16)	(26)	(49)	7	-	6	-14.1	3	-39.0
FX / non cash items	3	1	(4)	10	9	(14)	-	6	-	6	0.0
Balance sheet (inc)/dec in net debt	17	3	(20)	(16)	(41)	(7)	-81.7	12	-	9	-18.9
Core EBITDA	54	74	68	71	73	80	9.7	81	1.5	83	1.9
Maintenance capital expenditure	(6)	(6)	(5)	(5)	(6)	(6)	0.0	(6)	0.0	(6)	0.0
Maintenance net working capital	0	(11)	(12)	6	(8)	(1)	-86.7	(3)	129.9	(3)	26.2
Operating free cash flow, pre-tax	48	57	51	71	59	73	24.3	73	-0.3	74	1.2

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

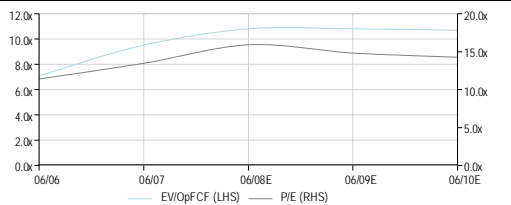
Company profile

GUD Holdings owns and manages a diverse group of businesses selling branded manufactured products in Australia and New Zealand. GUD operates several of Australia's most established and well-recognised consumer and industrial brands, including Sunbeam appliances, Victa lawnmowers, Ryco filters, Davey pumps and the recently acquired Oates Clean cleaning accessories. GUD was formed in 1940 and first listed in 1959.

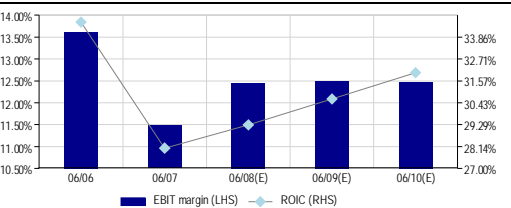
Valuation (x)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
P/E (local GAAP)	24.1	11.4	14.4	16.0	15.1	14.6
P/E (UBS)	12.3	11.4	13.5	16.0	15.1	14.6
P/CEPS	7.8	9.7	9.9	12.1	11.6	11.3
Net dividend yield (%)	6.8	7.8	7.5	5.7	6.1	6.4
P/BV	2.6	3.2	3.5	5.1	4.9	4.6
EV/revenue (core)	1.0	1.1	1.1	1.5	1.4	1.4
EV/EBITDA (core)	6.2	7.1	7.7	9.8	9.7	9.5
EV/EBIT (core)	7.1	7.9	9.3	11.7	11.3	11.0
EV/OpFCF (core)	7.3	7.1	9.5	10.8	10.8	10.7
EV/op. invested capital	2.3	2.7	2.6	3.4	3.5	3.5

Enterprise value (A\$m)	06/06	06/07	06/08E	06/09E	06/10E
Average market cap	459	485	690	690	690
+ minority interests	0	0	0	0	0
+ average net debt (cash)	46	74	98	96	96
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	0	0	0	0
Core enterprise value	504	559	789	787	787

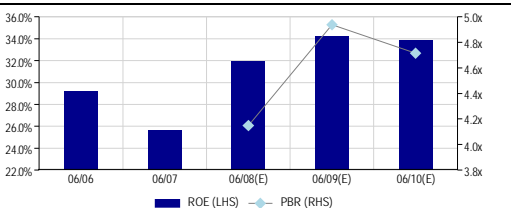
Value (EV/OpFCF & P/E)



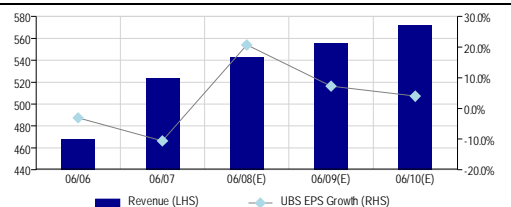
Profitability



ROE v PBR



Growth (UBS EPS)



Growth (%)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
Revenue	4.1	18.3	12.0	3.6	2.4	2.9
EBITDA (UBS)	11.7	3.2	3.3	9.7	1.5	1.9
EBIT (UBS)	15.1	1.2	-5.5	12.5	2.7	2.7
EPS (UBS)	17.7	-3.1	-10.6	20.7	7.2	4.0
Cash EPS	12.5	0.5	3.3	14.8	5.0	2.4
Net DPS	38.1	20.0	1.7	6.6	7.2	4.0
BVPS	4.9	6.2	-1.5	-5.1	5.7	4.7

Margins (%)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
EBITDA / revenue	15.4	15.1	13.9	14.7	14.6	14.5
EBIT / revenue	13.4	13.6	11.5	12.5	12.5	12.5
Net profit (UBS) / revenue	8.7	8.6	6.9	7.9	8.1	8.2

Return on capital (%)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
EBIT ROIC (UBS)	32.6	34.6	28.1	29.3	30.6	32.0
ROIC post tax	-	24.5	19.7	20.7	21.6	22.6
Net ROE	26.6	29.2	25.6	31.9	34.2	33.8

Coverage ratios (x)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
EBIT / net interest	14.3	9.5	6.7	9.4	12.0	13.8
Dividend cover (UBS EPS)	1.6	1.1	1.0	1.1	1.1	1.1
Div. payout ratio (% , UBS EPS)	63.8	89.4	101.7	89.8	89.8	89.8
Net debt / EBITDA	0.5	0.8	1.3	1.3	1.1	1.0

Efficiency ratios (x)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
Revenue / op. invested capital	2.4	2.5	2.4	2.3	2.5	2.6
Revenue / fixed assets	4.2	4.6	4.2	4.1	4.4	4.8
Revenue / net working capital	4.7	5.0	5.0	4.8	4.8	4.8

Investment ratios (x)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
OpFCF / EBIT	1.0	1.1	1.0	1.1	1.0	1.0
Capex / revenue (%)	1.8	1.2	1.7	1.1	1.1	1.0
Capex / depreciation	0.9	0.8	0.7	0.5	0.5	0.5

Capital structure (%)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
Net debt / total equity	25.2	38.2	68.0	80.0	67.1	57.4
Net debt / (net debt + equity)	20.1	27.7	40.5	44.5	40.1	36.5
Net debt (core) / EV	9.1	9.1	13.3	12.5	12.2	12.2

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of A\$11.35 on 26 Jul 2007 19:41 BST Market cap(E) may include forecast share issues/buybacks.

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■ GUD Holdings Limited

GUD Holdings owns and manages a diverse group of businesses selling branded manufactured products in Australia and New Zealand. GUD operates several of Australia's most established and well-recognised consumer and industrial brands, including Sunbeam appliances, Victa lawnmowers, Ryco filters, Davey pumps and the recently acquired Oates Clean cleaning accessories. GUD was formed in 1940 and first listed in 1959.

■ Statement of Risk

Key risks include a downturn in spending on homewares in Australia, adverse currency movements and variations in the cost of raw materials.

■ Analyst Certification

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UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS Rating	Definition	UBS Rating	Definition	Rating Category	Coverage ¹	IB Services ²
Buy 1	FSR is > 6% above the MRA, higher degree of predictability	Buy 2	FSR is > 6% above the MRA, lower degree of predictability	Buy	48%	39%
Neutral 1	FSR is between -6% and 6% of the MRA, higher degree of predictability	Neutral 2	FSR is between -6% and 6% of the MRA, lower degree of predictability	Neutral	40%	37%
Reduce 1	FSR is > 6% below the MRA, higher degree of predictability	Reduce 2	FSR is > 6% below the MRA, lower degree of predictability	Sell	12%	26%

1:Percentage of companies under coverage globally within this rating category.

2:Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Ratings allocations are as of 30 June 2007.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

Company Disclosures

Company Name	Reuters	Rating	Price	Price date
GUD Holdings Limited¹³	GUD.AX	Neutral 2	A\$11.52	25 Jul 2007

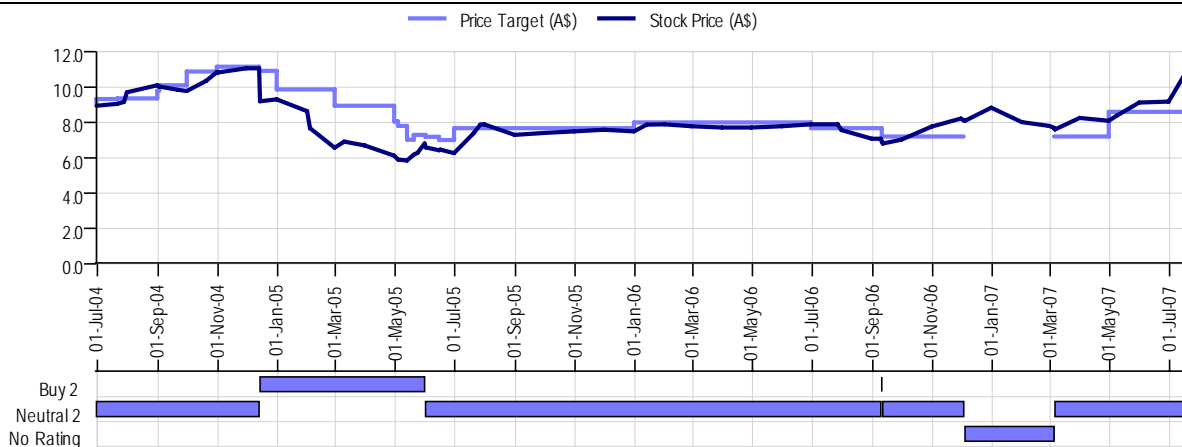
Source: UBS. All prices as of local market close.

Ratings in this table are as of the date shown and do not reflect rating changes being announced in this report.

13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

GUD Holdings Limited (A\$)



Source: UBS; as of 25 Jul 2007

Note: On September 9, 2006, UBS adopted new percentage band criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details). Between October 13, 2003 and September 9, 2006 the percentage band criteria used in the rating system was 10%. Prior to October 13, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential >15%, smaller range around price target; Buy 2: Excess return potential >15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Excess return is defined as the difference between the FSR and the one-year local market interest rate.

Additional Prices: Alesco Corporation, A\$13.96 (25 Jul 2007); GWA International Limited, A\$4.39 (25 Jul 2007); Housewares International Ltd, A\$2.98 (25 Jul 2007); Weir, 756p (25 Jul 2007); Source: UBS. All prices as of local market close.

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