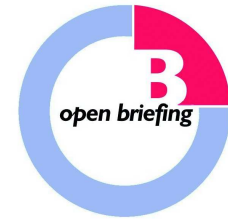


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GUD Holdings Ltd (ASX: GUD) today reported continuing operations EBIT of \$60.8 million and underlying NPAT of \$37.4 million down 3 percent and 1 percent respectively compared to the previous corresponding period. What was the reason behind the dip in profit and what is the outlook for earnings in the year ending June 2010?

MD Ian Campbell

We are relatively optimistic about FY10. We're seeing improved house prices and a positive trend in new home-starts which are drivers for some of our businesses. We've contained our cost base and working capital and we are well positioned to benefit from any improvement in demand. Also, our balance sheet is strong and should get even stronger during FY10 enabling us to pursue additional growth as opportunities arise.

In relation to FY09, there were three major contributors to the slippage. The most significant was the impact of currency and the resultant rise in the cost of imported product and the extra costs associated with currency hedging. It has been a most unusual year for the currency given it dropped from the high 90s (against the US\$) to the low 60s and then back up again to 80. The continuation of the drought also has an impact right across our businesses, not just in our Water Products business and consumer confidence for many months was pretty low.

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Given the currency is now at approximately A/US\$0.80, what impact is that level having on the group?

MD Ian Campbell

We're a net beneficiary of a stronger Australian dollar through the weight of our imports purchased in US denominated currency. Although we're clearing the last of the 70 cent hedge contracts, we'd expect some improvement to profit at current currency levels but that's subject to competitive pressure from other importers. The market will remain very competitive in every respect.

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EBIT performance for Consumer Products was \$29.9 million, down 9 percent from the previous year despite growth in sales of 3 percent. How did you respond to the currency issue in Sunbeam and Oates cleaning products and to what extent did government stimulus packages assist returns?

MD Ian Campbell

The currency fall pushed up prices of products sourced from offshore by about 30 percent and in an effort to sustain margins we responded in three ways. First, we moved to increase prices where possible, second we sought cost reductions from suppliers and third we moved to reduce overheads and operating costs. We were seeking a 10 percent improvement in each factor.

We were fully successful with overhead and operating costs but only partially successful with price rises due to prior commitments ahead of Christmas and the competitive environment we operate in. The operating difficulties for some Chinese suppliers also meant our ambitions weren't fully satisfied with all the cost reductions we sought. Nevertheless, we have benefitted from those actions and we'll see further improvements in sourcing and supply chain functions, particularly in Sunbeam.

The Oates result reflected the strategic changes we implemented in the previous year. We've closed the manufacturing facilities, successfully outsourced our supply and relaunched the brand. All have contributed to a pleasing result.

The government stimulus seemed to have a short-term impact on low cost products. I think it was more a confidence booster rather than a direct contributor to our results.

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Water Products EBIT increased 11 percent to \$15 million at the end of June 2009. EBIT to sales margin increased by 2 percent in FY09 compared with a 3 percent decrease in FY08. Can you explain the rise? To what extent do ongoing drought conditions in parts of Australia affect this division?

MD Ian Campbell

The Water Products EBIT rose due to cost reductions. Last year we had several one-off restructuring costs within the Monarch pools and spa business that impacted the operating result. New pool starts were down again this year and the pool and spa products continue to struggle domestically, partially due to

continuing water restrictions. But we believe there's a significant growth opportunity for some of our pool and spa products in export markets, especially North America and Europe. Early signs are very encouraging.

On a positive note the water conservation sector continues to experience significant growth and Davey benefits from supplying pumps and pump controllers to many new domestic and industrial water tanks.

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Automotive Products revenue was up 10 percent to \$78.4 million in FY09, with EBIT 1 percent lower at \$19.3 million. How have you achieved that result given the vagaries of the auto industry in Australia and offshore?

MD Ian Campbell

Our focus is the automotive after market and the drivers of that market and its cycle are quite different from the original equipment (OE) market.

Margins have been under pressure due to market competition and the currency impact but our leading Wesfil and Ryco brands have increased market share. The business has won customers previously serviced by National Parts.

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Security Products EBIT was \$1.3 million at the end of June 2009 down 49 percent. What is your strategy to improve margins and profitability in this division?

MD Ian Campbell

In the latest year we saw lower demand due to customer de-stocking and costs of commodity metals rise. Both factors impacted margins. Since then, we've made a number of changes internally in the way we run the business and we've implemented price increases to all customers. We're confident that this business will improve quickly and we will also seek to grow it via acquisition.

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You acquired 25.2 million shares in Breville Group from Harbinger Capital Partners for \$18.2 million, equivalent to 72 cents per share in May 2009. This gives you a 19.4 percent stake in Breville. Is GUD planning to launch a takeover for the outstanding shares in Breville Group?

MD Ian Campbell

We indicated when we acquired the stake on May 29 that we had no current intention to acquire further shares in Breville Group. The acquisition of the stake was an attractive investment opportunity for GUD, and is expecting to be self-funding at current Breville Group dividend levels. We are comfortable remaining a long-term strategic shareholder in Breville Group.

Having said that, the Australian small appliance industry is highly competitive, and we continue to see benefit in, and remain open to, potential industry consolidation opportunities that may arise in the future.

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Has GUD had any discussions in relation to a change of control transaction since acquiring the stake?

MD Ian Campbell

On the morning we purchased the stake we telephoned the Breville Group Chairman as a courtesy, and he welcomed us as a substantial shareholder of the company. But we have not had any discussions with Breville Group, or its major shareholders, since acquiring the stake.

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You've announced a fully franked final dividend of 33 cents per share, bringing the full year dividend to 60 cents per share, down from 68 cents previously. What is the outlook for dividends?

MD Ian Campbell

The reduction in the dividend recognises the lower profit following the sale of the Victa business. As always, the dividend outcome will reflect our profit performance, our cash flow and balance sheet strength.

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Net debt was \$90.6 million up from \$86.1 million twelve months ago. What are your expectations for net debt levels in FY10?

MD Ian Campbell

Our balance sheet should remain strong and we'd expect our interest cover ratio and other measures of gearing to improve further. We've introduced the Dividend Reinvestment Plan (DRP) and expect about a 20 percent shareholder participation which will preserve cash reserves. Also, we will maintain a focus on our working capital management and keep inventory at optimum levels.

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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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