



GUD Holdings Limited

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11 November 2005

Manager, Company Announcements
Australian Stock Exchange Limited
Level 4
20 Bond Street
Sydney NSW 2000

Dear Sir

Please find enclosed Letter to Shareholders together with a copy of the Chairman's Address at the 2005 Annual General Meeting to be dispatched to shareholders today.

Yours faithfully

LAWRENCE R TUTTON
Company Secretary

Encl:



SPA-QUIP



GOSS





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Annual General Meeting

Chairman's Address 2005

Ladies and Gentlemen

I would like to extend a warm welcome to you all, to this the 47th Annual General Meeting of GUD Holdings Limited.

Although our results for the year ending 30 June 2005 were less than the previous year's record result, they represent a very strong financial performance.

The benefits we expected from the extensive restructuring projects we have implemented since the late 1990s, culminating in the closure of the Australian automotive filter manufacturing plant in February this year, have been delivered and are providing a platform for sustainable, higher profitability than we experienced historically.

Trading in 2005 was affected by a combination of slowing consumer demand, adverse climatic conditions impacting sales of both lawnmowers and electric blankets at critical times and lower vehicle servicing activity. All these factors combined to inhibit our ability to grow both sales and profits from the highs reached in the preceding year.

In perspective the GUD group's performance in 2005 followed two very strong profit growth years. In 2003 trading profit before tax increased 37% on the prior year, and this was followed in 2004 with a 48% improvement.

Over the last three years, that is since 2002, trading profit before tax has grown from \$29.6 million to \$54.9 million, a total growth of 85 per cent, notwithstanding the decline of 9% in 2005. This is a strong, medium-term performance by any yardstick.

Reflecting the Board's confidence in the ability to maintain these levels of profitability, dividends have increased from 16.5 cents per share in 2002 to 50 cents in the last financial year, an increase of 203 per cent. Subsequent to 2002 all our dividends have been fully franked.

As we have noted in prior meetings, the strategic direction for GUD is now focused on generating growth through new

products and acquisitions, while we still seek operational improvements and continually review the economics of make or buy.

This shift in emphasis indicates that the major tranches of cost-focused restructuring are behind us and we are now much more actively applying our balance sheet strength to grow through internal product developments, new business streams and bolt-on acquisitions.

I would like to provide you with some insight into what we have done on each of these fronts over the last year.

In relation to product development, we have instilled in each business the culture of an active product development process. New products, embodying new technologies, materials and design themes are essential to maintaining consumer interest in the product categories we are active in, as well as being essential to gain retailer support with the aim of growing market share.

To ensure that our brands remain competitive and contemporary, to meet changing consumer demand patterns, new product development is essential.

Across the Group's businesses a number of innovative and exciting new products were brought to market in the 2005 financial year.

Following the relaunch of the alloy-based mower, the Razor, which we featured two years ago at this meeting, Victa launched its new steel mower range, under the Tornado labelling, in the spring of 2004. The Tornado launch was supported by a consumer advertising campaign and the product received strong support from retailers. With a stronger mower season this year we are confident that Tornado will continue to provide Victa with a competitive and contemporary product offering in the important steel segment of the market.

Davey, our core water products business, continued its product redevelopment activities. In 2005 it commenced a redesign of its market leading FireFighter® product range, with the relaunch of the single-stage model. This has been followed up in the current year with the recent introduction of the new two-stage version. Both these products incorporate new technologies and provide users with enhanced performance.

Sunbeam's new product activities centred on filling out the innovative Café Series range of products. Colour was added to toasters and further formats were incorporated into Café Series. We have spoken many times about

19 October 2005

Dear Shareholder

I attach a copy of my address to shareholders at the Annual General Meeting, which was held on 19 October 2005.

I advise that Peter Thomas and Doug Curfewis were both re-elected directors of the Company and shareholders approved the resolution adopting the Remuneration Report for the year ended 30 June 2005.

In addition, shareholders approved the renewal of proportional takeover approval provisions by way of a Special Resolution.

All resolutions were passed on a show of hands.

Details regarding the Company and an audio of my address and that of the Managing Director, Ian Campbell, can be accessed via the Company's website at www.gud.com.au.

Yours sincerely

Clive Hall
Chairman

Sunbeam's new product activities and, although the small appliance market has been affected by shifts in consumer spending patterns, Sunbeam has been trading exceptionally well in relative terms. In Australia Sunbeam has now consistently held the number one position, in value terms, in the small appliance market for the last 18 months, a situation that is unique over the last eleven years. This market leadership has come about through continually assessing the various categories in the small appliance market and designing, developing and marketing new products to meet consumer needs in each category.

The second stream of the Company's growth is in new lines of business. In the first major manifestation of this strategy the Oates Clean business was acquired on 1 July this year. Oates is an Australian-based manufacturing and sourcing business, with a strong brand in its market, and with a business profile not dissimilar to that of our other businesses. Oates has a strong presence in supermarkets, mass merchants, hardware and cleaning specialists in Australia.

We are expecting Oates to contribute around \$65 million in revenue this year and to generate a profit contribution of \$6 million, before interest and tax.

Finally, bolt-on acquisitions, are also a key component of our direction. In this aspect of our growth strategy we look for companies and businesses to add strength and scale to our established operations.

In 2005 we completed two further bolt-ons. The first of these was the acquisition of distribution rights to the Emjoi range of personal care products, to supplement Sunbeam's activities in this area. Along with Emjoi we also acquired the rights to the Foodsaver food preservation machines. Food preservation has been one of the fastest growth categories in the US small appliance market and is just beginning to take off in our markets.

With access to the best technology in the world, coupled with the leading Sunbeam brand name, we are strongly positioned to grow as this category develops.

The second bolt-on acquisition we completed was the New Zealand specialist water-related business, Contamination Control. This business is active in water treatment technologies, for domestic, industrial and municipal applications.

The range of products and technologies that we have access to through this acquisition provides Davey with substantial potential to grow. This addition, when added to that of Spa-Quip last year, will take the Davey Water

Products business to over \$100 million turnover this year. This is a substantial presence in what is fast becoming a high interest industry internationally.

I think you can see from the examples that I have outlined that GUD is an active, dynamic group of businesses, employing its fundamental philosophies of managing existing businesses tightly, through continued application of Cash Value Added principles and adding to its activities through product development and considered growth by acquisition.

Our businesses are run autonomously. They operate in many markets and the operational and distribution channel overlaps between them are not large. We do not burden them with central bureaucracy and we let them get on with the job, consistent with the objectives and targets we set with them each year. We benefit from shared experience, where relevant, and we have a standard set of financial guidelines we apply across the operations.

The common skills we have are in brand management, manufacturing, sourcing and supply chain management.

We will continue to apply these skills to both our established business units and to those we acquire.

To conclude, I would like to make some comments on the outlook for this financial year.

We have just completed the first quarter and, excluding the contribution from Oates, the Group is trading in line with last year. With Oates, GUD's first quarter performance is above the same period last year.

Furthermore, we have not budgeted for, nor do we expect at this stage, any profit impact from individually significant items. There are no major restructuring projects planned which will affect the profit result in the 2006 year.

With the benefits from an improved mower season, with renewed consumer spending in the Christmas season and with the contribution from planned new product activities and our recent acquisitions, we expect a stronger financial performance this year. This should enable further dividend growth for shareholders.



Clive Hall
Chairman

Melbourne – 19 October 2005



GUD HOLDINGS

CHAIRMAN'S ADDRESS 2005