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GUD Holdings Limited
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GUD Holdings Limited increased trading EBIT 6 percent to $63.6 million from $60.2 million in the year ended June 2006. What were the key drivers of the improved result?

CEO Ian Campbell
EBIT contributions rose in our major businesses of Consumer Products, Auto Products and Water Products due to past restructuring efforts and the success of offshore sourcing, new products, market share gains and acquisitions. We also believe the strength of our brands enabled us to maintain our price points.

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The 6 per cent EBIT increase was achieved on a 17 percent increase in sales to $462.4 million implying a margin contraction. Why were margins lower?

CEO Ian Campbell
EBIT to sales margin was 13.75 percent versus 15.26 percent previously. The slightly lower margin reflected the competitive trading environment in Australia, increased freight costs due to higher oil prices, increased costs from offshore sourced products due to higher raw material prices, a lower than expected EBIT contribution from Oates due to integration costs and delays in the entry of new Bissell products.

The EBIT margin of 13.75 percent compares with our record margin of 15.9 percent in 2004 and just under 10 percent in 2002.

Pressure will remain on margins, but it's worth noting our returns remain strong. We achieved a Cash Value Added return of 15.7 percent, well above the cost of capital, and a return on capital employed of 20.5 percent.

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The Australian dollar has been volatile in FY06 trading in a US$ range of 70.57 cents to 77.63 cents with an average of 74.6 cents, 1.1 percent lower than the average of FY05. How has the volatility of the Australian dollar affected the cost of your offshore sourced products and the business broadly?

CEO Ian Campbell
Although the Australian dollar was volatile against the US dollar our hedging protected us from the big swings. Our forward contracts at 30 June were at 74.74 cents, compared with the June 30 spot rate of 74.17 cents.

Similar hedging of the NZ dollar has protected us from the weaker Kiwi currency in FY06. We have hedged our forward commitments, but our trading exposure is not significant as sales of Spa-Quip, GUD NZ and Contamination Control into Australia offset exposures to imports by Sunbeam, Victa and Davey. However, the costs of imports in US dollars will be higher and the value of profits earned by NZ subsidiaries in FY07 will decrease with depreciation of the New Zealand dollar.

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Why did the group amortisation charge increase to $4.6 million from $2.6 million?

CEO Ian Campbell
The increase reflects our continued product development investment. Amortisation of capitalised product development assets has increased to $3.9 million from $2.0 million. Product development projects are only capitalised when successfully launched.

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The Consumer Products business increased EBIT 6 percent to $30.4 million. EBIT to sales margin dropped to 11 percent from 13 percent. Given Oates made its maiden contribution does that imply the traditional GUD brands of Sunbeam and Victa made a lower contribution?

CEO Ian Campbell
After allowing for higher amortisation charges the contribution from the traditional business was steady.

The Victa business improved in a stronger mower market. Victa increased market share and commenced its lower cost offshore sourcing program during the year. Although it suffered cost increases in plastics, steel, aluminium and four stroke engines, margins improved and the outlook is for further improvements in profit contribution in FY07.

The Sunbeam business remains a robust performer. It held its price points in a competitive domestic market, but did suffer margin pressure due to higher supplier costs out of China due to increased freight, plastic and metal costs. In a period of weaker consumer sentiment, the Sunbeam brand is proving its strength. We expect new categories such as gas barbeques to contribute positively in FY07.

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Water Products increased EBIT 25 percent to $13.9 million. EBIT to sales margin increased to 14 percent from 13 percent. What drove the growth over the latest year?

CEO Ian Campbell
We are achieving record results in our Water Products business due to the positive contribution of some small acquisitions - Spa Quip and Contamination Control - and the strong performance of new products within our traditional Davey business. Higher freight, aluminium and plastic costs restrained our positive momentum.

Sales in the FY07 year should grow more than 30 percent to over $130 million due to the acquisition earlier this month of Monarch Pool Systems. Monarch is a manufacturer and importer of swimming pool products with a core expertise in salt water chlorination technology.

We're becoming a diversified Water Products business focussed on domestic and rural water supply and treatment dealers, spa bath and spa pool OEMs and swimming pool builders and pool shops. Opportunities are emerging for technology sharing and operational efficiencies across the business. We will continue to seek opportunities via acquisitions.

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Automotive Products increased EBIT 1 percent to $17.9 million and the EBIT to sales margin increased to 25 percent from 23 percent previously. Can these strong margins be sustained?

CEO Ian Campbell
Maintaining these margins will be difficult in a tough industry due to higher petrol prices and weaker consumer spending, but we are benefiting from the extensive restructuring undertaken in this business. We've lowered the cost base despite increases in raw materials such as tinplate and we've improved our distribution of Wesfil product via our branch network. We also improved distribution of Ryco product through major retailers and trade channels.

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In your outlook statement you commented that shareholders should expect FY07 trading EBIT to be in line with FY06 or slightly lower. Why is that so given you expect a solid growth from the Water Products business following the acquisition of Monarch Pool Systems?

CEO Ian Campbell
The full extent of higher freight costs due to the higher oil price and higher raw material prices, particularly metals and plastics, will flow through in the current year. Given our brand strength we expect to maintain price points, but some

margin squeeze is likely. The lower New Zealand currency will also impact profit.

On the up side we will continue to generate positive returns from new product development and our balance sheet remains strong enough to invest in further acquisitions. Our interest cover in FY06 was 10.2 times.

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Your contract as CEO was due to expire at about this time. What are your intentions?

CEO Ian Campbell
I remain committed to my role as GUD CEO and will continue for another 3 years. We have made significant progress over recent years and there is more to be done with new products and acquisitions. I want to be part of our future growth.

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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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