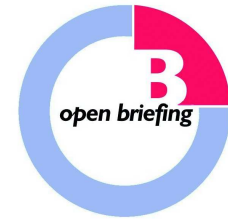


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GUD Holdings Limited
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Sunshine
Victoria, 3020

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GUD Holdings Ltd (ASX: GUD) today reported continuing operations EBIT of \$32.6 million and NPAT of \$16.9 million, a decline of 2 percent and 3 percent respectively on the previous corresponding period (pcp). To what extent have currency fluctuations impacted the result and how is the business placed to sustain future returns?

MD Ian Campbell

We are encouraged by the first half performance in a tough environment. It reflects the strength of our brands and the flexibility of our business structure. The currency was extremely volatile throughout the period, falling from the high 90's to the low 60's. We enjoyed some benefit from the higher dollar but this was largely offset as the currency depreciated.

In order to offset the impact of these fluctuations we've undertaken three initiatives: we've applied price increases in all of our businesses, we've negotiated lower prices from our suppliers on sourced products and on a raw material cost basis, and we've implemented a number of internal cost reduction initiatives around discretionary spending, staffing, and the more efficient use of logistics and warehousing. We've got the programs, plans and the structure in place within our businesses to maximise whatever opportunities the market may present whilst safeguarding the future of the Group.

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Are you seeing any traction from recent initiatives?

MD Ian Campbell

Yes we are. We are getting our supplier costs down, our price increases have been applied and have stuck, and we've undertaken a number of initiatives regarding overheads, especially within Sunbeam.

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EBIT for Consumer Products was steady at \$16.3 million. What assisted this result given the tough economic conditions in New Zealand and weaker consumer confidence in Australia?

MD Ian Campbell

Within Consumer Products, we don't split out the earnings by business but it would be fair to say that the performance of Sunbeam in Australia was in line with the prior year, there was some softness in Sunbeam New Zealand and Oates reported a strong performance and is now delivering the results we anticipated prior to restructuring the business to a more flexible offshore sourcing model.

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Your announcement mentioned that there is continuing strong underlying demand for Sunbeam brand products. To what extent was this demand driven by the government stimulus package?

MD Ian Campbell

We had a strong Christmas with good sales continuing through January. Whether this was due to the government stimulus package or an increase in disposable income due to reduced interest rates and lower petrol prices is impossible for us to judge.

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EBIT performance for Water Products was \$8.4 million down 2 percent from the pcp. EBIT to sales margin was up 1.2 percent to 12.7 percent. What are the growth prospects given the weakness from spas/pools?

MD Ian Campbell

We think we have definitely turned the corner in the spa and pools part of the business. We've reduced warehousing and distribution costs. Last year, we were selling to a major US distributor and as the Australian dollar increased in value, margins suffered. That distribution arrangement has now ceased and we have a new one in place. The turnaround should be evident over the next 12 months.

In the traditional Davey product area, the ongoing drought in many rural areas continues to impact pump sales and demand for fire fighter products has been modest to date, but is likely to be stronger in January/February as we move into the hotter summer months.

In new product areas such as water conservation, we continue to experience double digit growth, and should continue to benefit from new product launches.

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Automotive Products EBIT was \$9.8 million for the half year ending December 2008 down 4% from the pcg, and the EBIT to sales margin decreased to 25% from 28%. Can returns be sustained given the weak state of the automotive industry?

MD Ian Campbell

The downturn in the original equipment automotive industry is largely immaterial to us, as we're operating in the after-market. The margins we enjoy in this sector are as good as it gets, and we believe we will be able to maintain them. However, the New Zealand market has been challenging in the first half.

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EBIT performance within Security Products was \$0.5 million down 57 percent from the pcg. What plans do you have in place to improve the returns of your Security Products business in the current year?

MD Ian Campbell

This is the only business in the group that was impacted by having to compete with importers while the dollar was high, whilst simultaneously having to buy commodities at high prices to produce products. In this period, Security Products were simply unable to recover the cost increases they'd suffered for raw materials. We have applied significant price increases and we're already seeing dramatic improvements in their margins for the second half.

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Operating cash outflow was \$6.5 million down \$25.6 million from the pcg. What was the reason behind the decline in operating cash flows?

MD Ian Campbell

First half cash flow is traditionally low due to the build up in working capital required to service the very strong Christmas selling period. The abnormally high first half cash flow last year was unusual and reflected buoyant conditions and favourable trading terms.

Another factor impacting cash flow recently has been the lower currency and the resultant increase in the cost of stock. We would expect the normal seasonal cash flow improvement in the working capital in the second half year.

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Net debt increased \$15 million to \$123.2 million from the pcg. What drove the increase and what is the outlook for net debt for the full year ending June 2009?

MD Ian Campbell

The increase in net debt is mainly due to the increase in the price of stock we're holding. We've got more physical stock in the system, some of which is to secure supply relating to the timing of the Chinese new year. We've bought in heavily on fire fighter pumps on the expectation that it's going to be a very hot season. All things being "normal", we expect net debt will come down to around \$100 million by June 30.

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Seasonal and core unsecured bill facilities are for \$80 million and \$100 million respectively. What is the renewal program?

MD Ian Campbell

The seasonal bill facility to fund working capital is renewed annually in July while the core facility of \$100 million has until July 2011 before its renewal. As of December 2008, we have used \$127.7 million of these facilities and therefore have plenty of headroom. We have strong relationships with both of our credit providers, ANZ and Westpac and both have assured us that our facilities will be renewed.

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An interest rate hedging restructure pre-tax cost of \$3.7 million was recorded as an individually significant item in the latest half year result. Can you explain the basis of this charge?

MD Ian Campbell

The \$3.7 million pre-tax cost reflects the mark-to-market valuation adjustment of the interest rate hedge and the cash cost of closing the hedges. We paid them out at a rate that we saw as advantageous to us should interest rates continue to fall, which they have. The decision to restructure will give the business some leverage to the lower interest rate environment and negate uncertainty due to the volatile cost of the hedging.

In the past, we've enjoyed the benefit of hedging against higher interest rates and will look to do so again when market conditions suggest interest rates are most likely to trend higher.

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Goodwill and other intangible assets total \$92.8 million on your balance sheet for the half year ending December 2008. To what extent are these assets subject to any impairment charges?

MD Ian Campbell

We and our auditors have tested the impairment on all of our goodwill, brand names and patents. We don't normally do this at the half year, but our auditors and audit committee agreed we should review it in the current operating environment. The audit revealed that there is no impairment, and that we still have reasonable headroom in all of our businesses.

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You announced a fully franked interim dividend of 27 cents per share, down 10%. What is the outlook for dividends in the current year?

MD Ian Campbell

We won't be specific on EPS or dividend guidance given the vagaries of the external environment but I can advise that we have undertaken a range of programs so as to sustain shareholder returns at reasonable levels given the tough environment. The reduction in the interim dividend reflects a lower EPS outcome following the sale of the Victa business and is based on a reasonable payout ratio

of 80%. The downward movement is consistent with our policy that dividends should track the company's underlying earnings performance.

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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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