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31 October, 2013

Manager, Company Announcements
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir

GUD Holdings Limited – Annual General Meeting

Please find attached the text of the Chairman's Address to Shareholders and the Managing Director's Address to be delivered at the Annual General Meeting of GUD Holdings Limited at 11.00am today.

Yours faithfully

Malcolm G Tyler
Company Secretary

Att:

GUD Holdings Limited

Chairman's Address

56th Annual General Meeting

Thursday 31st October 2013

RACV Club

501 Bourke Street

Melbourne

It is a pleasure for me to address this gathering of shareholders at this my second annual general meeting as Chairman. I have taken a slightly different approach to the topics I will speak about this year, due to the recent change in the group's leadership, with the appointment of Jonathan Ling, who commenced with us on 1st August.

Shortly I will invite Jonathan to provide you with a perspective on his initial impressions of GUD, along with details of actions he is in the process of implementing to address the primary issues causing a drag on financial performance at this time.

My address will cover the customary strategic and historic financial overview along with an abbreviated summary of operations and I will conclude by providing commentary on current trading and the outlook for the balance of the 2013-14 financial year.

In doing so I will attempt to address the concerns expressed by shareholders prior to the meeting in relation to the Company's recent share price performance. Both Jonathan and I will outline the strategies and actions we believe will, over time, work to improve returns to shareholders.

Turning now to provide you with some commentary on the results for the 2012-13 financial year, I think it is reasonable to state that GUD's businesses experienced difficult trading conditions for the second consecutive financial year. It is also important to note that 2012-13 represented the first year in the last three that results were not affected by significant events – two years ago we acquired Dexion during the year and the following year we sold the Breville Group shareholding.

The diverse nature of our operations would generally translate into some businesses doing relatively well while others are experiencing cyclical reductions in activity. This was not the case in 2012-13 where collectively GUD was exposed to a combination of increasing competition in all markets, increased pressure from retail customers for improved trading terms and higher promotional spends and lower demand in the major projects markets supplied by Dexion.

Despite these pressures we only reported a small decline in sales compared to the prior year, and that decline came solely from the Consumer Products business, comprising Sunbeam and Oates. All other business segments reported modest sales increases on the previous year.

Sunbeam and Oates both contributed to the decline in sales revenue. Oates was affected by lower demand in the industrial distribution sector and in mass merchant retailers. All indicators point to this being an overall market demand factor rather than a loss of competitive position for Oates.

Sunbeam's situation is different as it has experienced increasing competition in the form of trade brands, new market entrants and game-changing new product activity, especially the phenomenal growth of capsule coffee machines, which have eroded Sunbeam's traditional strength in good quality, manual espresso machines.

Conversely, it was pleasing to see recovery in demand for Davey's range of water-related products in the Australian market, after two years of weather-related depressed demand. But it was not only Australia that showed stronger sales in the year as New Zealand and the other international markets serviced by Davey reported higher sales.

Our automotive aftermarket filtration brands – Ryco and Wesfil – enjoyed modest overall sales growth in a continued competitive environment. This is testament to the well-structured and executed sales and marketing programs implemented in the various aftermarket channels served by the two brands. Longstanding shareholders will understand the value of this business – the original business in the GUD stable. The Ryco brand has been the market leader in aftermarket filtration for many years and the characteristics that are inherent in the brand continue to be well recognised and valued by professional automotive mechanics in both Australia and New Zealand.

The Dexion business, which was acquired by GUD in September 2010, enjoyed the benefits of a strong order bank at the commencement of the 2012-13 financial year and, as a result, reported sales growth of nearly 5% on the prior year. This uplift in demand was experienced principally in the Asian markets for warehouse racking products. The Australian market for commercial storage products, such as filing cabinets, remained at historic low levels, leading to a decline in sales for Dexion's commercial arm.

In relation to profitability, the Group's trading result prior to restructuring and impairment costs saw earnings before interest and tax decline to $56.4 million from $70.3 million reported in the previous year.

There were a number of factors influencing this, including the reduction in sales but also a contraction in gross profit margin and the absence of the Breville dividend. Offsetting these negative effects was a reduction in overhead costs of $7 million compared to the prior year, reflecting the tight cost control attitude embedded in the businesses.

We incurred restructuring and impairment costs of nearly $8 million, pre-tax. These relate to further manufacturing operations closures in Dexion's commercial business in both New Zealand and Australia and a write down in brand name values reflecting the difficult market conditions in commercial storage, referred to earlier.

Excluding the prior year effect of the Breville shareholding sale, net profit after tax in 2012-13 was $37.4 million, a 15% reduction from $44.2 million previously.

Dividends for the year totalled 72 cents per share fully franked, consisting of 52 cents in ordinary dividends and 20 cents in special dividend, the latter being a return to shareholders from the successful and profitable sale of the Breville stake.

From a balance sheet perspective GUD remains in a solid position. At the end of June 2013 net debt to equity was at a conservative level of 27%, while interest cover improved over the year to 10.8 times from 7.7 times, on an underlying profitability basis. Due to our strong financial position we have suspended the dividend reinvestment plan as the company has no requirement for additional capital at this time.

To summarise the year, we reported a disappointing profit performance mainly due to the downturn in the consumer business, our financial position remains strong and during this period we have provided shareholders with relatively high dividends due partially to our ability to pay special dividends flowing from the Breville shareholding sale.

It is probably prudent to assume that the share price performance, on which many of you have commented, reflects the lower profitability relative to the levels enjoyed in recent years and the current perception of the market of our commitment to fix the underlying causes and to articulate a growth story.

The Board and senior management acknowledge that we need to address the primary factors affecting this performance and Jonathan Ling will shortly be outlining details of actions being undertaken now or being planned for the balance of the current financial year in relation to this.

Prior to inviting Jonathan to speak I would like to address to subject of strategy and describe the initiatives we took in relation to this in the 2012-13 year. As outlined in the strategy section of the Operating and Financial Review included in the Annual Report, GUD's strategy consists of five principal elements.

The first of these revolves around operational improvements translating to lower unit costs in our remaining manufacturing businesses. Second, we focus on improving product and supply chain costs in the importing businesses. Third, all businesses invest in new product development to deliver products or services with improved features, lower costs and/or improved performance to their respective target audiences. Following this we invest in our unique portfolio of brands to maintain strong positions in each category and, last, we seek to utilise the Group's strong financial position to invest in future avenues for growth, including acquisitions where appropriate.

In relation to manufacturing operations we undertook a number of actions in the year aimed at improving our product unit costs. We closed the manufacturing plants of Dexion Commercial in New Zealand and most of those in Australia and outsourced the product range to both local and offshore suppliers. These actions resulted in a marked improvement in gross margins which, unfortunately, have not been apparent in improving profitability due to the prevailing low demand conditions described earlier.

During the year the Board approved a substantial investment in new plant for Dexion's Malaysian factory, which will become operational in the current financial year. The impact of this will be twofold - to reduce unit costs and to provide Dexion with access to new market segments which it cannot currently serve.

In addition, Dexion implemented a number of process cost improvement initiatives at its Kings Park factory in Sydney's west, aimed at improving factory efficiency and, consequently, unit costs.

On the second element of our strategy – supply chain improvements – this typically involves incremental changes to activities as markets and technologies change. For example, most businesses are shipping relatively more product directly from source to interstate markets, especially to Perth and Brisbane. This avoids the double handling costs associated with transiting through a national distribution centre, it avoids costly interstate freight costs and it has the added benefit of having stock in position closer to the customer need.

In relation to new product development, the third platform of our strategy, we have again been extremely active across all businesses. The full details of the product launches we executed in 2012-

13 are included in the Annual Report and I won't cover these in detail here, apart from stating that the most active businesses were Sunbeam, Oates and Davey.

Customers and consumers in the small appliances market continually demand products with new features and new fashion in the form of colours and materials. Sunbeam's challenge is to maintain a leading edge in relation to these pressures across the breadth of its product range and in the context of its lack of scale relative to the majority of its international competitors. Despite these challenges Sunbeam embarked upon substantial product introduction activities covering its core product categories – food preparation, cooking, beverages and garment care - at Christmas 2012 and Mother's Day 2013, the traditional product launch periods in this industry.

Davey had a hectic time too, introducing to the market new products in each of its principal application segments – swimming pools, rain water harvesting, domestic water treatment, domestic fire protection and agriculture.

Oates focused on introducing new products to the professional cleaning segment and has followed up this activity in the current year with products aimed at households.

Some of the new products are able to be viewed at the various displays around the perimeter of the room and if you are interested I am sure representatives of the respective businesses will be pleased to show case them following the completion of the meeting.

At previous meetings we have stated that GUD's intrinsic strength comes from its unique portfolio of consumer, trade and industrial brands. We invest astutely in our brands and through our annual brand health surveys we monitor how each brand's target audience perceives not only our brands but those we compete against.

Brand related activities in 2012-13 included a full strategic audit of Sunbeam's position in the context of the changes that have occurred in the small appliances industry in recent years. We also reviewed Dexion's brand architecture and have determined a direction to have a single brand approach across all activities, which is now being implemented. Ryco and Dexion performed brand positioning checks to confirm that these remain relevant with their respective target audiences while Davey performed a strategic review of its brand communication strategy.

Finally, the fifth platform of our strategy involves acquiring for growth. GUD has not embarked upon any acquisition activity since the Dexion purchase just over three years ago. We continue to be receptive to acquisition opportunities as they arise and have actively assessed a number of potential add-ons, but ultimately these haven't met our strictly adhered-to criteria. Jonathan has a few words to say about this from his perspective in a minute.

Before inviting him to speak I would like to acknowledge the contribution made to GUD by his predecessor, Ian Campbell, who retired at the end of July after presenting the results for the 2012-13 financial year.

When Ian joined GUD was a collection of product manufacturing businesses, all of which were facing economic extinction if they were not substantially restructured and remodelled. Ian oversaw massive change during his tenure and was instrumental in driving the establishment of the current operating model – business that own market leading brands, with high investment in product intellectual property, sourcing from reliable, high quality suppliers in cost competitive locations, principally China.

Ian drove the improvement in GUD's market standing over the fourteen years he was with us, as a result of the strategies he and the management teams at each business implemented.

On behalf of my fellow directors, I would like to acknowledge Ian's exceptional contribution and to wish him well in whatever he chooses to do post-GUD.

Prior to commenting on our current trading performance and the outlook for the current financial year I will invite our new Managing Director, Jonathan Ling, to provide his perspectives on GUD and to comment on the direction the business needs to take to build that sustained financial performance.

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Thank you Jonathan, for those candid and well-articulated observations.

Prior to conducting the business of the meeting I want to address the issue of the outlook for the current financial year.

We only have financial information covering the first quarter as the fourth month of the year concludes today. At the end of the first quarter both sales and earnings before interest and tax showed declines relative to the first quarter last year. Sunbeam and Dexion are contributing the majority of this decline.

We expect that this position will improve by the end of the financial year, especially as some of the improvement programs, that Jonathan has alluded to, start to impact. As Jonathan has described we expect the Automotive, Davey, Lock Focus and Oates businesses to deliver year-end profit results that are in excess of, or in-line with, last year.

Lower contributions from Sunbeam and Dexion may translate to an underlying EBIT around 20% lower than the FY13 reported result.

It is important to note that this guidance is provided on the basis of expected trading conditions for the balance of the year. As you know GUD is dependent on a solid Christmas trading period to deliver a satisfactory result for Sunbeam and on a good spring season for Davey. We still have some months to go before we will know the full effect of these on the results.

A major influencing factor for our business this year remains the level of the Australian dollar.

To conclude I think that FY14 will be characterised as a year in which we identify and commence executing remedial actions addressing the problems we have outlined at Sunbeam and Dexion. Concurrently we will be optimising the potential for the other businesses to deliver stronger results and we will be formulating a medium term vision with attendant goals and objectives for every business. These will be centred on identifying the relevant business structure for the future and articulating a plan to get to that structure.

That completes my address and I now turn to conducting the business of the meeting.

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GUD Holdings Limited

Managing Director's Address

56th Annual General Meeting

Thursday 31st October 2013

RACV Club

501 Bourke Street

Melbourne

Thank you Chairman and good morning ladies and gentlemen.

I have now been with the GUD group for just on three months and Ross has invited me to provide you with my initial observations.

From an overall perspective we have a number of businesses that are performing well in a difficult economic environment. Included in this group are Ryco, Wesfil, Davey, Lock Focus and Oates.

Then we have the two businesses where fundamental change needs to occur to ensure long term success – Sunbeam and Dexion.

My initial efforts have been centred on these two businesses by putting in place the initiatives that I will now describe.

First Dexion. Although many changes have occurred to Dexion's operational footprint since GUD acquired this business in 2010 much remains to be done. The actions that have occurred to date, that were aimed at improving operational performance, include the closure of the warehouse racking factory in New Zealand, the closure of Dexion Commercial's factory at Bayswater in Melbourne, the integration of Dexion's systems and warehouse racking management structures to create one unified business, the closure of the commercial plant at Wingate, New Zealand, the cessation of manufacturing at Sunshine, Victoria and the major investment in a new roll forming line at the Malaysian factory, as mentioned by Ross earlier.

In total GUD has invested nearly $20 million in restructuring and impairment at Dexion over the last three years.

The current position with Dexion is this. The Asian business, which is principally focused on the warehouse racking market, is performing satisfactorily. When it becomes operational in early 2014, the new capacity being installed in Dexion's Malaysian factory will provide Asia with market growth potential and with an improved cost position to serve both local customers and to supply the Australian and New Zealand markets.

Following the closure of the New Zealand racking factory, financial performance in that business has been good. The new business structure, whereby New Zealand sources products from other Dexion manufacturing operations, principally in Asia, is working well and is providing the expected financial returns. Concurrently, the market in New Zealand has improved as economic conditions in that country have recovered.

There remain two outstanding issues to be tackled at Dexion and we are partially through understanding these and evaluating the options to address them.

First, Dexion's commercial business is loss making in some market segments. We are in the process of evaluating this issue and developing our strategy as to the best means of serving these segments profitably in the future.

The second issue at Dexion relates to the Australian manufacturing operation in the racking business. We are in the process of completing a full assessment of the racking business's manufacturing strategy and understanding the optimal blend of capacities and locations between its three factories - Sydney, Shanghai and Kuala Lumpur.

The current manufacturing footprint gives Dexion a high fixed cost base relative to its competitors and we need to fully understand the trade-off between cost position and closeness to customer to determine the best footprint for the future.

We are fortunate in having secured the services of Paul O'Keefe to drive these major projects at Dexion, as Chief Executive. Paul has been with the business for just on two months and it is apparent that his skills and experience are exactly what we require at this point in Dexion's evolution.

Paul has held senior executive roles at Simplot, Smorgon Steel and Bluescope. Most recently he was chief executive of Bluescope's Australian Coated and Industrial Markets business.

I expect that by the time we announce our first half results in early 2014 I will be able to fully explain the direction we will be taking on each of these major issues in Dexion and the progress that has been made in pursuing that direction.

The second business that requires significant improvement is Sunbeam.

Sunbeam does not command the market share levels it held previously, however it still retains the number one brand position in the Australian market as measured by an independent market tracking service.

There is no doubt that we need to revitalise investment in both product and the brand at Sunbeam. We also need to address a number of cost issues that are unsustainable in the business's current profile. Additionally, we need to develop our relationships directly with consumers and capitalise on the benefits provided by electronic capability and social networking and other contemporary platforms to grow revenues.

A number of activities are currently underway addressing the matters I have described above. The fixes for Sunbeam are not, however, short term, although we do expect some improvement to be evident in the current financial year. What we will have is a clearly enunciated medium term plan detailing specific improvement initiatives that we will communicate publicly later in this year.

Following David Jackson's recent resignation we are in the process of appointing a new Chief Executive to direct the actions required to rejunevate Sunbeam. We expect an appointment to be made shortly and will make the appropriate announcement at that time.

The other businesses in our portfolio are reporting satisfactory financial results relative to last year. We are not leaving them alone however, as we are expecting them to make up some of the shortfall from the underperformers.

With a good start to the summer season, particularly in New South Wales, Davey is showing improving returns compared with the prior year. All geographies are expecting to finish the year ahead of their position last year. However, the challenge at Davey is to get it to an improved level of return. As the exhibit in the annual report clearly shows, Davey's cash value added return has been below the 10% required return threshold for the past three years. Over the course of this financial year we will develop and commence the execution of improvement programs directed at ensuring Davey delivers improving economic returns.

After a small dip in profit performance last year, Oates is expecting to grow both sales and profit in the current year. This will come through a combination of factors, including new products supported by new marketing activities, possible new channels to market and selective pricing initiatives.

In the ever changing but extremely competitive automotive aftermarket both Ryco and Wesfil continue to pick up market share as a result of their unique and highly effective marketing and selling programs. Ryco is expecting to grow through introducing new product ranges, such as truck and agricultural equipment filters and motor cycle filters, and through selective price management activities.

Following a recent revitalisation of the Goss brand, growth is expected through extending the engine system replacement parts program into ignition coils. Wesfil is on track to at least match last year's result.

Lock Focus's contribution is dependent on the success and timing of its various new product programs. As a supplier to original equipment manufacturers this business is dependent on acceptance of their components into the customer's product and oftentimes this acceptance period can be protracted. Lock Focus has been active in recent years in working with new original equipment customers to develop customised locking solutions and is extremely close to commercialising many of these projects.

I see this year as being one in which we focus on the issues at Sunbeam and Dexion while supporting the remaining businesses to grow profitably and to deliver financial performance that exceeds last year's.

That takes care of the short term but we also have some medium to longer term challenges to address over the course of FY14. To provide the context for these I will describe how I perceive the GUD portfolio at present.

Essentially, from an overall perspective I think that GUD can be categorised as consisting of six relatively small businesses. None has international scale, yet they almost without exception compete in industries that either are international in scope or are quickly becoming so. The strategic challenge, as I see it, is to work towards achieving scale in some of our core businesses that have the ability to compete on an international basis. How we do this we are yet to articulate, but I believe that should be our starting objective.

By having six relatively small businesses, my belief is that there is no room for a seventh small business. We will not be pursuing acquisition opportunities outside of our current activity base. It would make GUD more complex and it would not add to our overall objective to grow what we have. We will, however, continue to assess potential acquisitions where they complement the current portfolio, but this is not a priority for the immediate future.

Our priorities remain those I have described earlier. That is, fixing Dexion and Sunbeam while supporting the balance of the portfolio to grow sensibly. The short term focus will be centred on developing and executing the improvement actions in these two businesses. As I mentioned earlier I envisage being able to communicate the specifics of these programs concurrent with the half year results announcement.

I am energised by the opportunity afforded me at GUD. Fundamentally, we have some great businesses, strong brands and competent management teams. We need to leverage the inherent strengths of these three assets to position each business more favourably given the ever changing market and industry environments. We will have new strategies, we will have a sense of medium term direction and goals and we will be challenging the relevance of the current business structures and determining those that more appropriately meet the needs of the future.

I look forward to updating you on our plans and progress on these issues over time.

Thank you for your interest and attention.

I will now hand back to the Chairman to cover the current year's outlook.

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