

10 November 2009

Chairman's Address

Seven years ago, your company commenced a transformational journey. Our core strategy was to design and market innovative products to meet the changing needs of consumers.

From 2002 to 2007, we invested heavily in this strategy – first by acquiring Breville, and then – in 2003 - by launching the Breville brand into the US and Canada through the Group's distribution platforms based in Los Angeles and Montreal.

Throughout that period, your Board has been focused on developing a resilient growth asset for shareholders.

To that end, we made a number of difficult but necessary decisions – including, in 2007, the decision to exit our Australian homewares business and more recently the rationalisation of the non-electrical homewares ranges in North America.

This decision facilitated renewed focus on the Group's core electrical business.

As we look back over 2008 and 2009, that decision was clearly the right one. Under our new Company name "Breville Group Limited", we have been able to focus on operational efficiency and excellence, enabling us to withstand a challenging trading environment.

Importantly, we have also maintained and increased our investment in innovation and new product development. This is Breville's core strength and greatest strategic asset. The product pipeline that we now have will serve the Company well into the future.

Combined with our recent trading performance, which I will touch on later, this gives your Board great confidence as we head into 2010.

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We have a clear and consistent strategy, and we have made the difficult decisions to enable us to focus on that strategy. We have strong financial foundations – with modest gearing and an improved working capital position. And, importantly, we now have a well established management team which has piloted our business well through the Global Financial Crisis.

To emphasize the transformation of your company since the 2007 financial year, it is perhaps worth showing our FY2007 and FY2009 performances side by side.

You can see from the chart on the screen that our key financial metrics have all improved substantially.

Although sales have not increased markedly due to the disposal of our Australian homewares business, our earnings have improved because our sales are now more profitable.

Despite the global economic volatility experienced in the past 24 months or so, gearing has improved materially and we have resumed paying dividends.

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Importantly, we have announced today that we foresee further improvement in 2010. We are well placed to benefit from a recovery in the key markets in which we operate. We have a clear and consistent strategy, a strong financial foundation, an experienced management team in place and, pleasingly, are currently trading ahead of expectations. If current economic conditions and consumer sentiment remain unchanged, we would expect to deliver underlying EBITDA of approx. \$38.5 million in FY10. Your CEO, Stephen Audsley, will comment on our trading update further in his presentation.

Fellow shareholders – beyond 2010, we see a bright future for Breville.

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Over recent years, your Board has been pursuing a very clear and consistent strategy to leverage our valuable research and development capability not just to grow market share in Australia, but also in international markets.

This remains our strategy today and going forward.

We will continue to focus on our core electrical business, and on ensuring that we have quality brands, quality and innovative products and quality execution.

We will continue to place product and the consumer at the centre of everything we do.

Importantly, we see further upside in Australia and will continue to strive to grow market share in Australia, focusing on profitable growth built on our brands, products and execution.

Most of all, though, we continue to see an enormous opportunity overseas to grow sales and earnings on a sustainable basis. We have previously invested in back-office infrastructure to support our global operations, and in our North American footprint. As sales grow, we would expect to see incremental sales deliver increasingly high margins to the Group.

In this respect, the increase in sales in North America in FY2009 despite the economic turmoil was very encouraging, as has been the sales performance in that region in the first four months of 2010.

Our international platform is not just core to our growth prospects, but it is also a very attractive strategic asset. For every new product that we develop it is very important to reflect on the fact that it is available not just to an Australasian market but also to the very large North American market and beyond.

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Indeed, given the strategic value of our product portfolio, of our research and development capability and of our international footprint, we are not surprised that there is again interest in acquiring the Company.

As you are aware, on 9 October 2009, GUD announced an unsolicited offer to acquire all of the shares it does not already own in Breville, offering 1 GUD share for every 4 Breville shares you hold. Prior to the offer, GUD held 19.4% of the shares in Breville and it has not announced any increase in its shareholding since.

Your Board has previously advised you to take no action in relation to GUD's Offer. We continue to advise you to do this.

Since GUD announced its Offer, your Board has been carefully considering the Offer. To that end, we have commissioned an Independent Expert to consider the Offer.

Once we have received that report, your Board will take the Expert's views into account and will be in a position to issue its Target's Statement.

The Target's Statement will contain detailed information on the Offer and issues which the Board considers relevant. It will also contain the Independent Expert's report.

Importantly, it will also contain detail about the Directors' earnings expectations for FY10.

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As you are aware, we appointed Stephen Audsley as Chief Executive Officer in September 2008. He has led the team admirably since then, and is very focused on identifying opportunities to deliver improved earnings. Importantly, he also has a confident and motivated team around him.

I would like to take this opportunity to thank the management team and all the Breville staff for their dedication. May I also thank our suppliers and customers for their continued support. Finally, let me take this opportunity to also thank my Board colleagues for their ongoing support and expertise.

I would like to now take the opportunity of introducing you to our CEO Stephen Audsley, who will present to you a review of operations.

10 November 2009

CEO's Address

Thank you John and good morning ladies and gentlemen.

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During the 2009 financial year we responded to a number of significant challenges including volatile exchange rates and commodity prices together with fluctuating consumer sentiment.

As you can see from these charts (refer slide presentation), we were faced with varying levels of consumer sentiment and economic distress in the various countries in which we conduct our business.

The Australian economy demonstrated a high degree of resilience and avoided a technical recession. It was by far the least affected economy of the countries in which we conduct business. The New Zealand economy was more severely affected and recorded negative growth over a number of successive quarters.

North America experienced a severe downturn, particularly during the October-December 08 quarter, following the collapse of Lehman Brothers whilst Canada was impacted but not as severely as the US economy.

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Accordingly, we took action to ensure that operating costs were reduced responsibly and that working capital was tightly managed. As a result of these actions, the Group delivered a minimal reduction in underlying EBITDA of 4.9%, cash generation was strong and net borrowings were reduced. This is an encouraging result in a year of such significant challenge and we are pleased that the Group managed its cost base appropriately whilst maintaining its strategic investment in innovation and product development.

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The geographic diversity of Breville's business is a significant and valuable asset.

In Australia, the strength of our brands and market positioning was reinforced, driven by an encouraging increase in sales of both the Breville and Kambrook brands. Importantly, this growth was achieved profitably, underpinned by a strong pipeline of new product launches which were strongly supported by consumers.

Our International business had a difficult year as the pace and severity of the downturn in consumer demand saw retailers react by aggressively reducing their inventory levels. In North America, this impact was most severely felt in November and December 2008. In A\$ terms, sales in North America were 16.6% higher in FY09 but in local currencies were only 1% higher than FY08. Our Asian business, selling predominantly to European customers, was impacted after

Christmas 2008 as there was a longer lag between the drop off in consumer demand and the reaction of our customers.

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The Australian business experienced strong sales and profit growth despite the challenging economic conditions. The Breville brand performed well in the mid to premium segment and Kambrook complemented this with a quality branded, value oriented offering. This result reflects the benefits of a strong product development pipeline and clear positioning of the portfolio of brands.

Breville has strengthened its position in the Australian market in the mid to premium price points, increasing its value share of the small domestic appliance market. This growth was assisted by the launch in Australia of premium products that were developed for the global market and confirms our ongoing strategic investment in product innovation and development.

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Our International business, operating predominantly in North America and Europe, had a difficult year and was more severely impacted by the significant economic downturn in those markets. The North American market exhibited some positive signs in the second half of the 2009 financial year, following a major deterioration in consumer demand in the latter part of calendar 2008. The Export business remained soft in the second half of FY09.

Margins in our North American business were impacted by cost increases flowing from higher commodity prices in the first half of FY09 and the ongoing rationalisation of the non-electrical homewares product ranges. The electrical business in North America responded well to the launch of new products, achieving sales growth despite the economic and retail conditions in that market. The launch of a compact convection oven, premium toaster and variable temperature kettle products with innovative features like the “A Bit More”™ button, “Lift and Look”™ function and “Element IQ”™ have quickly established themselves as the new benchmarks in their categories. Importantly, these products were launched at a significant price premium to competitors’ existing products which has resulted in strong sales at price points well above the category averages, enabling Breville to maintain its status as a leader not a follower.

The Breville brand continues to build and extend its presence and visibility, particularly in North America. Despite facing significant economic headwinds, Breville’s International business remains fundamental to the Group’s strategy and future growth.

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As mentioned earlier, the pace of change and volatility of foreign exchange rates in FY09 was significant. The Company has two exposures to foreign currency rates. One is transactional (the impact on product costs predominantly ex China in US\$) and the second is translational (the impact on the Group’s financial statement from translating overseas results into A\$ for reporting purposes).

In the first half of FY09, the A\$ was higher relative to the US\$ (approx. 90c US) which reduced product costs in Australia, New Zealand and Canada. The A\$ relative to the US dollar depreciated by in excess of 30% in early calendar 2009 (to approx 60c US) which increased imported product costs significantly.

These foreign currency movements also affected the financial results of our International business when translated into A\$ for statutory reporting purposes.

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The Group's balance sheet remained strong providing a solid foundation for the future. In addition to the seasonal run down of inventories post Christmas, an increased focus on working capital management resulted in a significant reduction in inventory levels. This assisted in reducing year end net borrowings by \$10.3m to \$33.0m. The Group's gearing ratio was a conservative 20.1%. Interest cover remained strong at 6.0 times.

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The Group maintained its strategic focus on differentiation through continued investment in its design and innovation capabilities to respond to changing consumer and financial market conditions. This strategy remains fundamental to the future success of the Group.

In Australia, the strategic focus is to build on the successful momentum of the last year and to grow market share profitably. The continued strong investment in product differentiation should provide a strong and sustainable pipeline of product development spanning into future years.

Internationally, the Group's strategic focus is to drive product penetration by gaining both a wider distribution of existing products within existing retail channels and by entering new product segments (eg the launch in 2009 of the Compact oven). The Group is also focussed on developing new International markets such as China and South America.

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An absolute focus on consumers and the application of insights gained from consumers is fundamental to the continued success of our product innovation and development.

The Group's largest and flagship brand is the Breville brand. Over 90% of Breville's sales revenue is generated from sales of products in the "Food and Beverage" category. Over the last twelve months, growth in this category has been around 25% higher than the growth in the total small domestic appliance category. This has been driven by an increasing level of interest in good eating and health and nutrition together with renewed interest in home cooking and food preparation supported by shows such as Master Chef.

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Breville innovation remains focussed on developing products which are both relevant and useful to consumers, by helping consumers to unlock the simple pleasures of food.

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At Breville, we are passionate about food and all that it entails. By untapping the secrets of food preparation we are better able to provide consumers with that "simple moment of brilliance" in the kitchen where little touches of ingenuity can make all of us feel truly accomplished and at ease.

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At Breville, we have coined the term "Thought for Food" to encapsulate our philosophy.

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This Spring, we have begun our new marketing campaign based around a food focussed campaign where "seeing is believing".

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We will be on TV with a campaign supporting Australia's number 1 selling toaster (by value) and will also be launching a new campaign to support the new Breville Espresso machine with in built grinder.

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In addition, we have developed nine 30 second videos which demonstrate Breville's "Thought for Food" in action, focussing on key moments where our products really shine.

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These video demonstrations will be seen extensively on line through our sponsorship of News Limited's Taste.com.au website. This sponsorship involves a number of firsts for both Breville and Taste.com.au.

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The TV and on line campaigns will also be supported by a national print campaign.

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Breville will also be providing consumers with the opportunity to watch product demonstrations at the point of purchase on their mobiles by sending a text and receiving a link to a mobile website.

I'd now like to run the two TV ads which will feature in our Spring marketing campaign.

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Breville is currently well placed to benefit from improved trading conditions in both the core Australian and North American markets. FY10 trading for the four months to the end of October 2009 has been pleasing with an encouraging pre Christmas sell-in.

In addition, benefits from the cost restructuring undertaken earlier in FY09 are beginning to flow through.

As a result, the Group announced earlier today a trading update with sales and earnings forecast to exceed expectations.

The Group is currently on target to achieve forecast underlying EBITDA of approx. \$38.5m for FY10 and forecast underlying NPAT of approx. \$19.0m in FY10. Breville expects to deliver this increase in earnings despite adverse foreign exchange movements on the translation of the Group's International earnings.

Based on current trading conditions, our strong momentum is expected to accelerate the growth on the previous corresponding period as we head into the second half of FY10.

I would like to thank the Board for their ongoing support and my team at Breville for their dedication throughout the past year. I look forward to reporting our progress to you in the future.

I'll now hand you back to the Chairman.