



**GUD Holdings Limited**

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9 October, 2009

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

Dear Sir,

**ANNOUNCEMENT OF TAKEOVER OFFER FOR BREVILLE GROUP LIMITED**

Kindly find attached an Announcement of a Takeover Offer for Breville Group Limited (BRG).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Malcolm G Tyler', written over a light grey rectangular background.

**Malcolm G Tyler**  
Company Secretary

Att:



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Tottenham, Vic 3012  
Australia.

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Vic 3020 Australia.

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9 October 2009

Company Announcements Office  
Australian Stock Exchange Limited  
4<sup>th</sup> Floor  
20 Bridge Street  
Sydney NSW 2000

## **GUD HOLDINGS LIMITED ANNOUNCES TAKEOVER OFFER FOR BREVILLE GROUP LIMITED**

- Offer of 1 GUD Share for every 4 Breville Shares, valuing Breville at \$2.20 per share based on GUD's 1 month VWAP<sup>1</sup>
- Highly attractive premium of 51% for Breville shareholders<sup>2</sup>
- Premium of 206% to the Breville closing price on 28 May 2009, the day prior to GUD's announcement of the acquisition of its 19.4% stake in Breville
- Potential to create a leading Australasian small appliance business
- The Offer has the support of key shareholders holding an aggregate of 28.0% of Breville Shares on issue. Combined with GUD's 19.4% interest, this represents 47.4% of Breville Shares on issue<sup>3</sup>
- The Offer is subject to GUD obtaining a relevant interest in at least 50.1% of Breville Shares (on a fully diluted basis)

G.U.D. Holdings Limited (**GUD**) today announced its intention to make an off-market takeover offer (the **Offer**) for all the shares it does not already own in Breville Group Limited (**Breville**).

### **Attractive premium**

Under the Offer, GUD is offering all Breville shareholders one GUD Share for every 4 Breville Shares. The Offer values Breville at \$322 million<sup>4</sup>, or \$2.20 per share, and implies a substantial premium of:

- 206% to the Breville closing price of \$0.72 on 28 May 2009, being the day prior to the announcement of GUD's acquisition of a 19.4% shareholding in Breville Group;
- 51% to the Breville 1 month VWAP up to and including 8 October 2009 of \$1.46; and
- 47% to the Breville closing price on 8 October 2009 of \$1.50.

<sup>1</sup> Based on the 1 month Volume Weighted Average Price, of 'on market' trades on the ASX (i.e. normal trades, crossed trades, stabilisation trades and short sell trades) (**VWAP**), of GUD Shares up to and including 8 October 2009 of \$8.80.

<sup>2</sup> Based on the Breville 1 month VWAP up to and including 8 October 2009 of \$1.46.

<sup>3</sup> Based on 129,515,322 Breville Shares on issue. Refer to Annexure C to this announcement for further details.

<sup>4</sup> On an enterprise value basis, based on 129,515,322 Breville Shares, 620,000 Options and 1,282,000 Performance Rights, and Breville net debt of \$33.008 million as reported in Breville's preliminary final report.

## Benefits for Breville Shareholders

GUD's Offer provides compelling benefits for Breville shareholders, including:

- **Offer represents full and fair value**
  - The Offer equates to \$2.20 per Breville Share based on GUD's 1 month VWAP
  - 51% premium to the 1 month VWAP of Breville Shares
- **Share in upside from merger benefits**
  - All shareholders can participate in the potential benefits and future upside resulting from the combination of GUD and Breville
- **GUD's proven management expertise has delivered superior performance to that of Breville, including:**
  - GUD has delivered total shareholder returns (since 24 May 1999) of 611%, compared to 141% for Breville over the same period<sup>5</sup>
  - Dividend per share CAGR of 16.7% (from FY2000 to FY2009), compared to negative 4.1% for Breville over the same period<sup>6</sup>
- **Potential for a significant dividend uplift**
  - For the financial year ended 30 June 2009, GUD declared a fully franked dividend of 60.0 cents per share. Applying the ratio under the Offer of 1 GUD share for every 4 Breville Shares, this equates to a dividend of 15 cents per Breville Share, which is 173% above the 5.5 cent per share unfranked dividend declared by Breville with respect to the same period
- **Vastly improved liquidity**
  - The Merged Group may offer Breville securityholders more than 13 times more security trading liquidity in dollar terms<sup>7</sup>, providing greater trading flexibility.
- **Gain exposure to a leading diversified trading company with strong brands**
  - Exposure to a diversified portfolio of highly regarded trading businesses with strong brands in their respective end-markets

GUD Chairman, Clive Hall, said, "The GUD Board believes this Offer represents an extremely attractive opportunity for Breville shareholders to realise a substantial premium for their shares, while retaining an investment in a larger company with a stronger shareholder return and dividend track record, and participate in the potential operational and financial benefits of combining the businesses."

GUD Managing Director, Ian Campbell said, "If we are successful in combining the highly complementary businesses of Sunbeam and Breville, the Merged Group will be a leading small domestic appliance business in Australasia, and will provide a strong platform for expansion in international markets, particularly North America."

"I believe there will be significant benefits from leveraging the product development, innovation, sourcing, distribution and marketing expertise in both companies, and believe the

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<sup>5</sup> Based on the capital gain on GUD Shares and Breville Shares, assuming reinvestment of dividends at the prevailing market prices at the close of trade on the relevant dividend payment date, or the dividend reinvestment plan price (if relevant) from 24 May 1999 up to and including 8 October 2009. Assumes Breville Shares acquired in the Breville initial public offering at the issue price of \$1.00. The Breville 1.5 cent per share final dividend with respect to the 2009 financial year has been included in the calculation of the Breville total shareholder return for comparability with GUD.

<sup>6</sup> Compound Annual Growth Rate (CAGR) of dividends declared by GUD and Breville from FY2000 to FY2009, with FY2000 being the first full year that Breville was listed on the ASX.

<sup>7</sup> Based on the average monthly trading value of GUD and Breville Shares on the ASX from 1 October 2008 up to and including 30 September 2009, adjusted to exclude the 25,073,712 shares purchased for \$18,089,343 by GUD on 29 May 2009.

combination of the two businesses will unlock significant value for both GUD and Breville shareholders.”

### **Support of key Breville shareholders**

A number of Breville’s larger institutional shareholders (including Perpetual Investment Management Limited, Paradise Investment Management Pty Limited, BT Investment Management (RE) Limited, Souls Funds Management, and Kosmos Asset Management) holding at least 28.0% in aggregate of the Breville Shares<sup>8</sup> have advised GUD that, provided there is no superior offer made, they intend to accept GUD’s Offer for all of their Breville Shares through an Institutional Acceptance Facility that GUD intends to establish in relation to the Offer.

The Breville Shares held by GUD, when combined with the Breville Shares held by these institutional shareholders, total 47.4% of Breville Shares on issue<sup>8</sup>.

### **Key offer conditions**

The Offer is conditional on:

- GUD obtaining a relevant interest in 50.1% of Breville Shares<sup>9</sup>;
- GUD receiving formal advice from the Australian Competition and Consumer Commission (**ACCC**) that the ACCC will not seek to prevent the acquisition of Breville Shares by GUD, or seek to impose conditions or require undertakings in relation to the acquisition<sup>10</sup>; and
- Certain other conditions set out in Annexure A to this announcement.

### **Creation of a leading small appliance business**

Should GUD be successful in acquiring 100% of Breville, the merger will result in the addition of Breville’s well-known brands to GUD’s portfolio of highly regarded consumer businesses, creating a leading branded product distribution business in Australasia with combined sales of approximately \$900 million. This combination of GUD and Breville’s small domestic appliance businesses will:

- possess an attractive product portfolio of highly regarded small appliance brands in Australia and New Zealand, designed to satisfy customers at a variety of price points;
- be well positioned to benefit from the combined product development, sourcing, marketing and distribution expertise of both companies;
- be better positioned to capitalise on international growth opportunities by leveraging the Merged Group’s increased scale, product and market expertise, and enhanced access to growth capital.

The GUD Board and management believe GUD and Breville have highly complementary businesses and the combination will present benefits to shareholders of both companies.

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<sup>8</sup> Based on 129,515,322 Breville Shares on issue as at the date of this announcement (refer to Annexure C for further details on individual shareholdings of the relevant shareholders).

<sup>9</sup> On a fully diluted basis, including 620,000 Options and 1,282,000 Performance Rights.

<sup>10</sup> GUD has made submissions to the ACCC and anticipate that the Commission will commence public market inquiries shortly.

## **Expected benefits for GUD**

The transaction satisfies GUD's strategic and financial investment criteria, and is expected to have a neutral to slightly positive impact on GUD's earnings per share on a pro forma basis for the year ended 30 June 2009, assuming GUD obtains a 50.1% ownership position in Breville<sup>11</sup>. Post-transaction, GUD will continue to have an appropriate capital structure with regard to the scale and nature of its operations.

In the event that GUD acquires less than a 90% relevant interest in Breville Shares through the Offer, GUD intends to evaluate value creation opportunities that provide mutual benefit to the shareholders of both companies, which may include the consideration of the formation of a strategic alliance in relation to certain business functions. However, GUD notes the realisation of operational and financial benefits may be limited while Breville and GUD operate as separate companies.

## **Indicative timetable**

GUD proposes to lodge its Bidder's Statement shortly and anticipates the Offer being open for acceptance later this month.

## **Further information**

Macquarie Capital Advisers Limited is acting as financial adviser and Freehills as legal adviser to GUD in relation to the Offer.

More detailed information about the Offer will be contained in the Bidder's Statement. Additional information is also contained in the presentation lodged today with the ASX and also found on GUD's website ([www.gud.com.au](http://www.gud.com.au)).

## **For further enquiries, please contact:**

### **Investor Enquiries**

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<sup>11</sup> Excluding any benefits from the implementation of operational initiatives post-acquisition or integration costs required to achieve these benefits.

## **Annexure A: Summary of Offer Conditions**

### **a) ACCC approval**

Either between the Announcement Date and the end of the Offer Period (each inclusive) the ACCC has not commenced or threatened to commence legal proceedings seeking orders to restrain the acquisition of Breville Shares by GUD, or, before the end of the Offer Period, GUD has received notice in writing from the ACCC stating, or stating to the effect, that:

- (1) the ACCC does not propose to intervene or seek to prevent the acquisition of Breville Shares by GUD; or
- (2) the ACCC does not seek to impose conditions on the acquisition of Breville Shares by GUD or require undertakings from GUD or any member of the GUD Group in relation to the acquisition of Breville Shares,

and that notice has not been withdrawn, revoked or amended.

### **b) Other regulatory approvals**

Before the end of the Offer Period, all approvals or consents that are required by law, or by any Public Authority, as are necessary to permit:

- (1) the Offer to be lawfully made to and accepted by Breville shareholders; and
- (2) the transactions contemplated by the Bidder's Statement to be completed (including, without limitation, full, lawful and effectual implementation of the intentions set out in the Bidder's Statement),

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

### **c) No regulatory action**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by GUD or any associate of GUD),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bidder's Statement (including, without limitation, full, lawful, timely and effectual implementation of the intentions set out in the Bidder's Statement) or which requires the divestiture by GUD of any Breville Shares or any material assets of Breville or any subsidiary of Breville.

### **d) Minimum acceptance condition**

At the end of the Offer Period, GUD has relevant interests in at least 50.1% of the Breville Shares (on a fully diluted basis).

### **e) Options**

Either all Options granted by Breville have been exercised or cancelled, or during or at the end of the Offer Period, GUD is entitled to compulsorily acquire all outstanding options.

### **f) Performance Rights**

Either all Performance Rights granted by Breville have been exercised or cancelled, or during or at the end of the Offer Period, GUD is entitled to compulsorily acquire them or

substitute all outstanding Performance Rights for equivalent rights in GUD Shares and/or GUD Shares.

**g) No persons entitled to exercise or exercising rights under certain agreements or instruments**

Breville states in its Target's Statement in response to the Offer or in an announcement to ASX before the date of its Target's Statement, expressed to be made with the approval of the directors of Breville, that, after due enquiry, none of Breville or any of its subsidiaries is party to, bound by or subject to a contract under which any other party to such contract could:

- (1) terminate;
  - (2) vary, amend or modify; or
  - (3) exercise any right,
- as a result of:
- (4) GUD making the Offer;
  - (5) GUD acquiring Breville Shares under the Offer;
  - (6) GUD obtaining a relevant interest in 50% or more of Breville Shares then on issue; or
  - (7) GUD implementing any of its intentions for Breville as described in the Bidder's Statement,

and the statement is not materially varied, revoked or qualified before the end of the Offer Period. If there is any such contract, details of it must be specified in the Target's Statement.

**h) Acquisitions, disposals and joint ventures**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither Breville nor any of its subsidiaries, acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any asset or business, or enters into any corporate transaction (including establishment of a partnership or joint venture), which would or would be likely to involve a material change in:

- (1) the manner in which Breville conducts its business;
- (2) the nature (including balance sheet classification), extent or value of the assets of Breville; or
- (3) the nature (including balance sheet classification), extent or value of the liabilities of Breville,

including, without limitation, any transaction which would or (subject to one or more conditions) may involve Breville or any subsidiary of Breville disposing, or agreeing to dispose of, one or more companies, businesses or assets (or any interest therein) for an amount in aggregate greater than \$5,000,000.

**i) No litigation on foot or pending**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against Breville which may reasonably result in either a judgement of \$2,000,000 or more or material damage to the market reputation of Breville is commenced, is threatened to be commenced, is announced, or is made known to GUD (whether or not becoming public) or Breville, other than that which is in the public domain as at the Announcement Date.

**j) Index out**

Between the Announcement Date and the end of the Offer Period (each inclusive), the S&P ASX 200 Index does not close below 4,292 (representing 10% below the index level at close of trade on 8 October 2009 (being the last trading day prior to the Announcement Date) for 3 or more consecutive business days.

**k) Equal access**

Between the Announcement Date and the end of the Offer Period, Breville promptly, and in any event within 2 Business Days, provides to GUD a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to Breville or any of its subsidiaries, or their respective assets, liabilities or operations, that has been provided by Breville or any of its directors, officers, agents or representatives to any person other than GUD, other than in the ordinary course of ordinary business, including (without limitation) for the purposes of soliciting, encouraging or facilitating any proposal with respect to:

- (1) a takeover bid for, or scheme of arrangement proposed by, Breville, under the Corporations Act;
- (2) the acquisition by that person or an associate of substantially all the assets and operations of Breville; or
- (3) any transaction having a similar economic effect.

**l) No prescribed occurrences**

Between the Announcement Date and the date 3 business days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences happen:

- (1) Breville converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) Breville or a subsidiary of Breville resolving to reduce its share capital in any way;
- (3) Breville or a subsidiary of Breville entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) Breville or a subsidiary of Breville making an issue of Shares (other than Shares issued as a result of the exercise of Options or Performance Rights into Shares) or granting an option over the Shares or agreeing to make such an issue or grant such an option;
- (5) Breville or a subsidiary of Breville issuing, or agreeing to issue, convertible notes;
- (6) Breville or a subsidiary of Breville disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) Breville or a subsidiary of Breville charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) Breville or a subsidiary of Breville resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of Breville or of a subsidiary of Breville;
- (10) the making of an order by a court for the winding up of Breville or of a subsidiary of Breville;
- (11) an administrator of Breville or of a subsidiary of Breville being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) Breville or a subsidiary of Breville executing a deed of company arrangement;
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Breville or of a subsidiary of Breville.

**m) No distributions**

Between the Announcement Date and the end of the Offer Period (each inclusive), Breville does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie), other than the final dividend payable on 13 October 2009 in respect of the financial year ended 30 June 2009 of 1.5 cents per Breville Share.

**n) No break fees**

Between the Announcement Date and the end of the Offer Period, Breville does not agree (whether conditionally or unconditionally) to make any payment by way of break fee, inducement fee, cost reimbursement or otherwise, to any person other than GUD

or an associate, or forgo any amount to which it would otherwise be entitled, in connection with that a proposal by that person for:

- (1) a takeover bid for, or scheme of arrangement proposed by, Breville, under the Corporations Act;
- (2) the acquisition by that person or an associate of substantially all the assets and operations of Breville; or
- (3) any transaction having a similar economic effect.

## Annexure B – Definitions

Term	Meaning
\$ or A\$	Australian dollars, the lawful currency of the Commonwealth of Australia.
ACCC	Australian Competition and Consumer Commission.
Announcement Date	the date of this announcement.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691.
Bidder's Statement	the bidder's statement prepared by GUD in accordance with Part 6.5 Division 2 of the Corporations Act relating to the Offer.
Breville	Breville Group Limited ABN 90 086 933 431.
Breville Shares	fully paid ordinary shares in the capital of Breville.
Business Day	means a day on which banks are open for business in Melbourne, excluding a Saturday, Sunday or public holiday.
CAGR	compound annual growth rate.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
GUD	G.U.D Holdings Limited ABN 99 004 400 891.
GUD Board	the board of directors of GUD.
GUD Shares	fully paid ordinary shares in the capital of GUD.
Merged Group	means GUD following the acquisition by GUD of all or a majority of Breville Shares.
Offer Period	the period during which the Offer will remain open for acceptance as set out in the Bidder's Statement.
Options	any options to subscribe for Breville Shares.
Performance Rights	any performance rights in relation to Breville Shares.
Public Authority	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange.
VWAP	volume weighted average price of shares traded on the ASX including only 'on market' trades (i.e. normal trades, crossed trades, stabilisation trades and short sell trades).

## Annexure C

Current Breville shareholdings of key institutional shareholders that have indicated their intention to accept GUD's Offer, provided there is no superior offer made

Institution	Number of Breville Shares Held	Percentage of Breville Shares on Issue <sup>12</sup>
Perpetual Investment Management Limited	19,013,954	14.7%
Paradice Investment Management Pty Ltd	9,970,800	7.7%
Souls Funds Management	1,896,903	1.5%
BT Investment Management (RE) Limited	1,775,555	1.4%
Kosmos Asset Management	872,495	0.7%
Other institutional shareholders	2,787,461	2.2%
<b>Aggregate</b>	<b>36,317,168</b>	<b>28.0%</b>
GUD relevant interest	25,073,712	19.4%
<b>Aggregate including GUD relevant interest</b>	<b>61,390,880</b>	<b>47.4%</b>

<sup>12</sup> Based on 129,515,322 Breville Shares on issue as at the date of this announcement