24 February 2015

Manager, Company Announcements,
Australian Securities Exchange Limited,
Level 4, 20 Bridge Street,
Sydney NSW 2000

Half Year Ended 31 December 2014
Half Year End Report Announcement

Attached is a copy of the Breville Group Limited Half Year End Report Announcement for the Half Year Ended 31 December 2014.

Yours faithfully

Sasha Kitto
Company Secretary
Breville Group Limited

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Breville

24 February 2015

Breville Group Limited results – half year ended 31 December 2014

Earnings in line with expectations
Revenue of $293.9m and EBIT of $43.6m
Interim fully franked dividend maintained at 14.0 cents per share

Group summary result

AUDm[1]	1H15	1H14	% Chng
Revenue	**293.9**	311.3	**(5.6%)**
EBITDA	**47.2**	49.1	**(4.0%)**
EBIT	**43.6**	45.6	**(4.5%)**
NPAT	**29.7**	31.2	**(4.9%)**
Basic EPS (cents)	**22.8**	24.0	**(4.9%)**
ROE[2] (%)	**20.3%**	22.6%	
Div per share - ordinary (cents)	**14.0**	14.0	**0%**
Franked (%)	**100%**	100%	
Net cash ($m)	**11.7**	9.3	

- Revenue and earnings impacted by a resetting of the juicer category in North America (as previously flagged to the market; expected to stabilise during the second half of the 2015 financial year)
- EBIT growth delivered in Australia and New Zealand following selective price increases, brand sales mix and cost efficiency savings
- Good low double digit revenue growth in North America (excluding the juicing category) reflecting a strong diversified product presence
- Continued success of Sage in the UK, which achieved double digit revenue growth and now represents approximately one third of the rest of world segment revenue, partially offsetting lower rest of world distribution business revenues
- Dividend of 14.0 cents per share reflecting confidence in the underlying strength of the business
- CEO appointment progressing well with a formal announcement expected shortly

Commenting on the Group's result, Breville Group Chairman, Steven Fisher said, "*As expected, the Group has delivered a result which is below that of a very strong prior comparative period. During the half year, the Group has continued to work on a number of both strategic cost reduction and revenue driving initiatives, the benefits of which are expected to flow through in the 2015 financial year and beyond.*"

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Segment results

AUDm[1]	REVENUE 1H15	1H14	% Chng	EBIT 1H15	1H14	% Chng
Australia and New Zealand (ANZ)	**142.9**	144.6	**(1.2%)**	**16.3**	16.1	**1.4%**
North America	**116.0**	130.0	**(10.8%)**	**20.6**	22.8	**(9.4%)**
Rest of World	**35.1**	36.6	**(4.3%)**	**8.8**	9.5	**(7.3%)**
Other	**-**	-	**-**	**(2.2)**	(2.8)	**-**
TOTAL	**293.9**	311.3	**(5.6%)**	**43.6**	45.6	**(4.5%)**

ANZ

The ANZ business performed pleasingly in an environment where general retail trading conditions were reflective of negative consumer confidence and a difficult discretionary retail trading setting.

EBIT increased by 1.4% to $16.3m (1H14:$16.1m). The overall EBIT margin improved compared to the previous comparative period following selective prices increases, a positive sales mix shift to increased Breville brand sales and cost efficiency savings. These positive EBIT influences more than offset the negative impact of the USD which continued to strengthen during the period, placing increased pressure on margins.

Revenues of $142.9m were marginally lower (down by 1.2%) compared to a robust prior corresponding period (1H14: $144.6m). The sales mix for the half from a brand perspective shifted with the Breville brand comprising a higher proportion of the overall ANZ revenues.

Commenting on the ANZ result, Interim CEO Mervyn Cohen said "*We are pleased with the first half performance of the ANZ segment. The success of our products has continued and the Group maintained its superior market share in the kitchen domestic appliance market within both the Australian and New Zealand markets.*"

North America

Total revenue in AUD decreased by $14.0m (10.8%) to $116.0m (1H14:$130.0m).

These lower revenues were broadly in line with expectations, given the exceptionally strong juicing performance in the prior comparative period. The juicing category continues to re-set to establish a new base level, with an expectation that it will stabilise over the second half of the 2015 financial year.

Despite North American trading conditions remaining generally difficult total revenues in AUD excluding the juicing category, showed good low double digit growth in the first half.

New products launched in the second half of the 2014 financial year, including the Oracle™ espresso machine and the Quick Touch™ microwave oven have been performing well and within expectations in the current half year. Revenues have also benefited from the range of PolyScience products, including sous-vide, vacuum sealers and other complementary products, launched in the current half. A number of other new products were launched late in this half year and it will take time for these to gain momentum.

EBIT for the half year decreased by 9.4% to $20.6m from $22.8m primarily due to the fall in juicer revenue, which was only partially offset by the increased EBIT flowing from higher revenues in other categories.

Steven Fisher added, *“We look forward to the stabilisation of the North American juicing category which, along with ongoing growth in other categories, is expected to return the North American segment revenues and earnings to positive growth."*

Rest of World

This segment comprises the rest of the world distribution business supplied from Hong Kong as well as the Group’s UK business.

Total revenue in AUD decreased by 4.3% to $35.1m (1H14:$36.6m) and EBIT decreased by 7.3% to $8.8m (1H14: $9.5m). Lower rest of world distribution business revenues in the current half were partially offset by pleasing higher revenues from our UK business which represented approximately one third of the segment revenue (1H14: approximately one fifth).

The rest of world distribution business does not follow the traditional replenishment model and tends, at times, to perform in a lumpy manner from half to half, normally balancing out over a twelve month period. The revenues in the current period have been particularly impacted by the purchasing of our European partners of Breville designed, but not branded, products which were very strong in the prior corresponding period.

The UK business, which distributes Breville designed and developed products under company-owned brand, Sage, continued to build momentum with premium UK retailers. The business experienced strong double digit revenue growth in the current half, albeit off a low base.

Commenting on the UK business, Mervyn Cohen stated, *“We are encouraged by the performance of our UK business which exceeded our expectations in the current half."*

The rest of world segment experienced lower EBIT margins in the half, compared to the previous corresponding period. This reduction was expected, given the change in revenue mix away from the higher EBIT margin rest of world distribution business to the lower and more traditional replenishment model EBIT margin of the UK business, with its in-market infrastructure.

Other

The Group’s Other reporting segment comprises the Group’s shared service facility, design and development and global marketing functions as well as the amortisation charge on capitalised product development projects.

The change from the prior comparative period is attributable to a lower employee short term incentive expense, offsetting lower intra-group income and a foreign currency translation loss relating to non-stock related USD payables.

Working capital

December has traditionally been and will likely continue to be the Group’s peak in working capital.

The total investment in working capital was steady compared to that of the prior comparative period. Inventory balances at 31 December 2014 of $97.1m (1H14:$91.7m) are higher due to retailers in general holding lower inventory levels and North American juicer stock holdings being particularly low in the prior period following the outperformance of the category in 1H14. The weaker AUD compared to the previous corresponding period also exacerbated the translation impact when converting non-AUD denominated balances into AUD at the end of the half.

The softer North American revenue resulted in lower receivables compared to the prior period.

Net cash at 31 December 2014 was $11.7m compared to $9.3m at the same time last year.

Capital expenditure

During the half year, the Group continued to invest in efficiency and cost improvement projects to support a larger and more geographically diverse business.

During the second half of the 2015 financial year, the Group will relocate its Sydney-based Australian business and corporate head office to new leased premises and will also implement a new Group-wide enterprise resource planning system (ERP) within one of its larger operations.

These investment projects will require approximately $11m of capital expenditure, with just over half of this amount incurred prior to 31 December 2014. It is expected that the balance of this expenditure will be incurred by 30 June 2015.

Dividends

A fully franked interim dividend of 14.0 cents per share has been declared (1H14: 14.0 cents, 100% franked). This interim dividend will have a record date of 18 March 2015 and will be payable on 2 April 2015.

The Directors have resolved to continue to suspend the operation of the Dividend Reinvestment Plan.

The ongoing contribution of the international businesses may impact the extent to which the Group is able to frank future dividends.

CEO appointment

The Board is pleased that discussions with a potential candidate for the Chief Executive Officer role are progressing well and that the Group expects to be in a position to make a formal announcement shortly.

Outlook

The Group expects that broader business conditions will continue to be globally challenging and competitive in the second half.

Despite the global economic uncertainty and cautious consumer spending behaviour, the Group currently expects to deliver mid to high single digit EBIT growth[3] in the second half of the 2015 financial year, compared to the previous corresponding period (2H14 EBIT was $24.9m).

The Group remains in a strong financial position, with its balance sheet strength being a significant enabler of our growth strategy.

For further information, please contact:
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[1] *Minor differences may arise due to rounding.*

[2] *ROE is calculated based on NPAT for the 12 months ended 31 December 2014 (1H14: 12 months ended 31 December 2013) divided by shareholders' equity at 31 December.*

[3] *This guidance is based on a number of assumptions, including that there will be no significant change in the Group's current expectations of economic conditions and no significant change in prevailing foreign exchange and interest rates.*