



08 January 2007

## **ANNOUNCEMENT**

### **BRUMBY'S BAKERIES LIMITED (BSX:BBH)**

The Board of Brumby's advises that the previously foreshadowed offer from the syndicate of director, Marcus Barlow, CEO and managing director, Michael Sherlock, and company secretary, Steve Brown, has been received.

On 18 December 2006, Brumby's announced to the market that it had entered into a Merger Implementation Agreement with Retail Food Group Limited (RFG) under which RFG agreed to purchase all Brumby's shares for \$2.685 per share and an additional special fully franked dividend of 10.883 cents per share. Option holders are to receive a cash amount equal to the difference between \$2.685 and the option exercise price under the RFG offer.

The offer from the syndicate is to acquire 79.06% of the company held in non-associated shareholder's hands for \$2.80 cash for each BBH share and a fully-franked dividend of 10.883 cents per share. In addition, the entity formed to purchase the shares will offer replacement options to option holders of Brumby's. The exercise price for these replacement options is proposed to be \$1.55 per share. Details of how this option issue will be structured is yet to be finalised by the syndicate.

The offer is proposed to proceed by way of a scheme of arrangement in accordance with Chapter 5 of the Corporations Act.

The offer is subject to a number of conditions:

1. The cash to complete the acquisition, approximately \$28.44 million is to be provided by two financiers. The primary financier, the National Australia Bank's commitment is conditional upon satisfactory due diligence enquiries to be completed within 15 working days. The secondary financier is an undisclosed ASX listed entity. The commitment of the secondary financier is conditional upon suitable senior debt funding being in place, and upon completion of the necessary loan and security documentation to reflect the agreed financing arrangements;
2. Brumby's shareholders resolving to approve the scheme in accordance with Chapter 5 of the Corporations Act;
3. all necessary regulatory approvals are obtained;
4. there being no "prescribed occurrence" by Brumby's;

5. there being no temporary, preliminary or permanent injunction or other order issued by any court or other legal restraint or prohibition preventing the transaction from proceeding;
6. there being no changes, events, occurrences or matters which has had or is likely to have a material adverse effect on Brumby's or its subsidiaries; and
7. third party consents to be received under all material agreements and arrangements to which Brumby's or one of its subsidiaries is a party.

The offer, if accepted in due course, will require the Board to terminate the Merger Implementation Agreement with RFG. The Merger Implementation Agreement with RFG remains on foot pending further consideration of the syndicate's offer, notwithstanding the receipt of the offer from the syndicate. Due consideration cannot be given to the syndicate's offer until further details of the offer are received by the Board.

The Board awaits further details in relation to the proposed offer before making a recommendation to shareholders. These details include:

1. the identity of the undisclosed third party financier;
2. the manner in which the option issue is to be dealt with; and
3. the due diligence requirements of the National Australia Bank.

It is anticipated that the Board will receive this information within the next week.

The Brumby's Chairman, Terry O'Dwyer, welcomes the interest in the company and the directors of Brumby's who are not involved in the offer will continue to pursue the best interests of all shareholders.

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