

13 August 2014

Announcements Officer  
ASX Market Announcements  
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SYDNEY NSW 2000

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WELLINGTON  
NEW ZEALAND

### **Goodman Fielder Limited – 2014 Results Announcement**

I attach the Company's Results Announcement in relation to the financial year ended 30 June 2014.

A Presentation to Analysts in connection with the 2014 financial results will follow later in the morning.

The attached document will be posted to Goodman Fielder's website once released to the market.

Yours sincerely,



**SARA GOLDSTEIN**  
Company Secretary

13 August 2014

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**GOODMAN FIELDER RESULT - YEAR ENDED 30 JUNE 2014 ("FY14")**

<i>A\$m unless specified</i>	<b>FY14</b>	<b>FY13</b>		
	<b><i>Continuing Operations</i></b>	<b><i>Continuing Operations</i></b>	<b><i>Discontinued Operations</i></b>	<b>Total</b>
<b><u>NORMALISED</u><sup>1</sup></b>				
<b>REVENUE</b>	<b>2,199.9</b>	2,127.6	99.6	2,272.2
<b>EBITDA</b>	<b>223.8</b>	252.1	14.9	267.0
<b>EBIT</b>	<b>150.7</b>	185.6	14.6	200.2
<b>NPAT</b>	<b>63.1</b>	75.7	10.8	86.5
<b>Basic EPS (cents)</b>	<b>3.2</b>	3.9	0.6	4.5
<b><u>REPORTED</u><sup>2</sup></b>				
<b>EBITDA</b>	<b>(269.2)</b>	257.2	22.9	280.1
<b>EBIT</b>	<b>(342.3)</b>	190.7	22.6	213.3
<b>NPAT</b>	<b>(405.1)</b>	83.5	19.0	102.5
<b>Basic EPS (cents)</b>	<b>(20.7)</b>	4.3	1.0	5.3

**Key Financial Metrics (From Continuing and Discontinued Operations)**

<i>A\$m unless specified</i>	<b>FY14</b>	<b>FY13</b>	<b>% Change</b>
<b>Net free cash flow</b> <sup>3</sup>	<b>199.9</b>	262.4	(25%)
<b>Full year Dividend Per Share (cents)</b>	<b>2c</b>	3c	(33%)
<b>Net debt</b> <sup>4</sup>	<b>481.2</b>	434.5	(11%)
<b>Leverage ratio (times)</b> <sup>5</sup> (Net debt/EBITDA)	<b>2.12</b>	1.65	--
<b>Interest cover (times)</b> <sup>5</sup> (EBITDA/Net Interest)	<b>4.17</b>	4.06	--

<sup>1</sup> Normalised result excludes significant items. Refer to last page for basis of preparation of non-IFRS financial information

<sup>2</sup> Reported result includes significant items. Pre tax significant items for FY14 were (\$493.0m). Significant items in FY14 included Impairment of goodwill and brands (\$358.2m); restructuring costs of (\$38.2m); net loss on sale of businesses and assets (\$96.5m); realised exchange loss (\$0.1m) and tax benefit of \$24.8m. Significant Items in FY13 comprised net gain on business divestments/asset sales of \$13.7m; net insurance proceeds of \$16.8m; restructuring costs of (\$17.4m) and tax benefit of \$2.9m.

<sup>3</sup> Net free cash flow represents receipts from customers less payments to suppliers and employees.

<sup>4</sup> Net debt excludes an unrealised FX gain of \$32.9m (FY13: gain of \$23.9m) relating to the revaluation of the company's US dollar private placement debt hedge

<sup>5</sup> Calculated in accordance with the group's debt facility covenants.

## FINANCIAL RESULTS OVERVIEW

- **Revenue growth in Baking, Dairy and Asia Pacific offset by significant commodity cost pressure and difficult trading environment**
  - Improved pricing/mix and increased market share in power brands drives top line improvement in Baking offset by high A\$ wheat price and manufacturing reliability issues
  - Significant turnaround in performance from Fiji Poultry business drives revenue and earnings increase in Asia Pacific business
  - Despite volume uplift, increase in farmgate milk price impacts Dairy earnings
  - Improvement in Dressings & Mayonnaise offset by increased competitive environment in Spreads/Flour
- **Normalised Result from Continuing Operations reflects challenging commodity costs and trading conditions**
  - Normalised EBITDA\* down 11% reflects, impact of commodity costs pressures (NZ Dairy, A\$ wheat) and increased investment in marketing/branded innovation
  - Normalised EBIT\* down 19%; Normalised NPAT\* down 17%; reflects lower EBIT partially offset by lower interest and tax expense
- **Reported results from Continuing Operations reflect impact of loss on sale of non-core businesses, non-cash impairments and restructuring costs**
  - Loss on sale of \$97.3m related to divestment of non-core businesses (Biscuits, Meats, Pizza)
  - Non-cash impairments pre tax of \$358.2m in line with previous market communication
  - Restructuring costs related to simplified organisational structure
  - Reported NPAT loss of \$405.1m
- **Improvement in Capital Management in second half vs 1<sup>st</sup> half**
  - Net debt 12% lower than 1st half to \$481m at year end
  - Operating cash flow up over 100% from 1st half
  - Credit metrics continue in line with investment grade
- **Final Dividend of 1c per share payable on 1 October 2014**
  - Fully franked for Australian shareholders
  - 100% imputed for NZ shareholders
- **Update on Scheme of Arrangement with Wilmar/First Pacific**
  - Regulatory approvals process underway
  - Expect dispatch of Scheme Booklet to shareholders in October and shareholder meeting in late November

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\* From Continuing Operations – Continuing Operations exclude the Integro and New Zealand Milling businesses which were sold during FY13.

## COMMENTARY ON RESULTS

### GOODMAN FIELDER FULL YEAR RESULTS

Chief Executive Officer, Chris Delaney, said while the company had made progress in some areas of the business, sharply increased commodity costs and higher logistics costs had impacted the full year result.

“This is a disappointing result in the context of where the company had expected to be at this point in the strategic plan,” he said.

“We had initially expected that in FY14 Goodman Fielder would return to profitable growth, building on the restructuring work we had completed in the initial phases of the strategy to re-focus the business, align the cost base and restore the balance sheet.

“While we experienced growth in some areas of the portfolio, the record increase in the farmgate milk price in New Zealand, together with the increase in the A\$ wheat price resulted in significant input cost pressures which we were unable to fully recover through pricing.

“Additionally, the Australian Baking business was impacted by increased freight and transport costs to ensure we continued to deliver fresh product to our customers while we addressed reliability issues at some of our major manufacturing facilities.

“Our Grocery business continued to face a very challenging retail trading environment, which was compounded by our new product development in Spreads not being successfully ranged across all retailers.

“In response to this earnings decline, we have accelerated cost savings initiatives across the business by implementing a more simplified corporate structure from which we expect to generate an additional \$25 million in annualised cost savings by FY15.

“While we continue to address these short term challenges, we remain focused on our strategic objectives which are aligned to generating value over the medium term.

“That includes an increase in branded core category innovation which has resulted in an improved share in our power brands in Baking, particularly through the launch of new product development into new categories, such as gluten free and lower carbohydrate products in both Australia and New Zealand.

“It also includes the \$25 million investment we are making in our Christchurch UHT plant to leverage our existing export capacity of UHT milk to the rapidly growing premium UHT market in China.

“While FY14 was a significant step back from where we had expected to be, we remain committed to building a business which can deliver sustainable growth over the medium term,” Mr Delaney said.

### GROUP FINANCIAL RESULTS – CONTINUING OPERATIONS

#### Normalised Results

Revenue increased by 3 per cent, driven by an improvement in net average selling price and mix towards more premium products, including Artisan in Baking, the ongoing recovery in the company's Fiji Poultry business and higher pricing in Dairy.

Normalised EBITDA was \$223.8 million, 11 per cent lower than the prior year, impacted by the significant increase in commodity costs (A\$ wheat and raw milk) and also from increased freight and transport costs in the Australian Baking division as a result of factory break-downs during the year.

Normalised EBIT declined by 19 per cent to \$150.7 million, reflecting increased costs, ongoing challenging conditions in Grocery, particularly for Spreads and edible oils, and also a \$7 million higher depreciation charge related to the company's increased capital investments over the past two years.

Normalised net profit after tax was \$63.1 million, a decrease of 17 per cent on the prior year (FY13: \$75.7m). Net interest expense was 15 per cent lower than the prior year while the underlying effective tax rate was 25.2 per cent in FY14 compared to 29.4 per cent in the prior year.

## **Reported Results**

Total after tax significant items for FY14 were (\$468.2 million) which impacted the reported result.

As a result, Goodman Fielder reported a statutory loss from continuing operations of \$405.1 million compared to net profit from continuing operations of \$83.5 million for the prior year.

The company's reported results include the impact of significant items primarily related to the loss on sale of divested businesses, restructuring costs and non-cash impairments.

The loss on sale relating to divested businesses was \$97.3 million, while restructuring costs associated with business divestments and cost savings initiatives were \$38.2 million.

On 2 July, Goodman Fielder advised that it expected to record non cash impairments in the range of \$300-\$400 million, reflecting the ongoing challenging trading conditions and outlook in its core Baking and Grocery businesses.

Having conducted a detailed analysis of the carrying value of its businesses, the company has recorded a non-cash impairment charge pre tax of \$358.2 million, comprising \$337.4 million in the Australian and New Zealand Baking division and \$20.8 million in the New Zealand Grocery division.

## **Capital Management**

Net debt at 30 June 2014 was \$481.2 million, 12 per cent lower than 31 December 2013 but 11 per cent above the prior year (FY13: 434.5 million). Net debt was impacted by the revaluation of NZ\$ denominated debt as a result of the lower A\$/NZ\$ exchange rate.

Goodman Fielder continues to operate comfortably within its banking covenants, post non-cash impairments, with a leverage ratio (Net debt/EBITDA) of 2.12 times and interest cover (EBITDA/Net Interest) of 4.17 times.

## **DIVIDEND**

The Board has resolved to pay a final dividend of 1 cent per share, payable on 1 October 2014. The record date for entitlement to receive the final dividend will be 15 September 2014. The final dividend is fully franked in Australia and 100% imputed for New Zealand based shareholders.

This brings the full year dividend to 2 cents per share.

## CONTINUING OPERATIONS - DIVISIONAL PERFORMANCE

### Baking (ex NZ Milling)

<i>A\$m unless specified</i>	<b>FY14</b>	<b>FY13</b>	<b>Variance</b>
<b>Revenue</b>	<b>924.6</b>	897.8	+3%
<b>EBIT (Normalised)*</b>	<b>35.0</b>	49.5	(29%)
<b>EBIT Margin*</b>	<b>3.8%</b>	5.5%	(31%)
<b>Capital Expenditure</b>	<b>39.4</b>	35.8	+10%

Note: (\*) Represents EBIT before restructuring costs as per note 4 'segment information' in the 30 June 2014 financial report. The prior year excludes normalised EBIT from the NZ Milling business of \$8.4 million

In the Baking division, Goodman Fielder achieved revenue growth from successful demand creation initiatives and improved pricing, however this was more than offset by the higher A\$ wheat price and increased logistics costs.

Revenue increased by 3 per cent to \$924.6 million, reflecting higher net average selling prices and improved mix, despite a decrease in volume of 5 per cent.

Market share in fresh loaf increased with Helga's up three share points (quarterly), while new product formulation and marketing campaigns assisted in Wonder White increasing its market share in value one share point (quarterly).

Volumes were 5 per cent lower than the prior year, reflecting the removal of a limited number of SKUs, lower volume in bakery snacks and the deletion of Mighty Soft loaf by one retailer. Mighty Soft was re-listed towards the end of the year.

Normalised EBIT decreased by 29 per cent to \$35.0 million compared to the prior year, impacted by the higher A\$ wheat price and by increased freight and logistics costs.

During the year, the company experienced a small number of breakdowns at its major bakeries which affected production. To maintain customer service metrics under its daily fresh delivery model, Goodman Fielder invested in significant additional transport and logistics costs.

The company is implementing a reliability improvement plan across its major bakeries which includes continuous improvement programmes to improve production efficiency and run rates.

DME increased by 41 per cent on the prior year to support marketing campaigns and re-launches of Helga's and Wonder White in Australia and Freya's in New Zealand.

### Grocery

<i>A\$m unless specified</i>	<b>FY14</b>	<b>FY13</b>	<b>Variance</b>
<b>Revenue</b>	<b>448.9</b>	502.8	(11%)
<b>EBIT (Normalised)*</b>	<b>50.9</b>	63.4	(20%)
<b>EBIT Margin*</b>	<b>11.3%</b>	12.6%	(10%)
<b>Capital Expenditure</b>	<b>6.7</b>	7.7	(13%)

Notes: (\*) Represents EBIT before restructuring costs as per note 4 'segment information' in the 30 June 2014 financial report

Trading conditions in the Grocery division continued to be very challenging, particularly in the Australian market, which impacted earnings compared to the prior year.

Revenue declined by 11 per cent, to \$448.9 million, impacted by lower volumes (Australia) which required further investment in promotional strategy to mitigate volume declines.

The main contributors to lower volume and revenue in Grocery were in spreads, edible oils and also in cake mix from increased price competition from both private label and competitors. Volumes in New Zealand were steady on the prior year.

The decline in volumes and revenue was also affected by the divestment of the biscuits business in Australia to Green's Foods effective 24 February 2014.

The decline in volume and earnings in the spreads business had a significant effect on the Grocery division. This was due to the lack of ranging of new product development, deletion of core products and increased ranging and competition from new private label entrants.

Dressings and mayonnaise continued to perform well in the second half with Praise reinforcing its category leadership position. New product launches in Praise Aioli and Praise Secret Sauces delivered overall market share improvement.

Despite lower revenue, gross margin as a percentage of sales improved on the previous year from continued focus on cost discipline across Australia and New Zealand.

Normalised EBIT declined by 20 per cent on the prior year, impacted by the poor performance of the Spreads business, only partially offset by the improved performance in dressings and mayonnaise. In New Zealand, EBIT was slightly ahead of the prior year.

The EBIT result included a 24 per cent increase in DME to fund brand equity campaigns across the core categories in the portfolio.

#### Dairy (Incl Meats)

<i>A\$m unless specified</i>	<b>FY14</b>	<b>FY13</b>	<b>Variance</b>
<b>Revenue</b>	<b>472.7</b>	395.3	+20%
<b>EBIT (Normalised)*</b>	<b>19.9</b>	37.7	(47%)
<b>EBIT Margin*</b>	<b>4.2%</b>	9.5%	(56%)
<b>Capital Expenditure</b>	<b>9.4</b>	5.8	+62%

Note: (\*) Represents EBIT before restructuring costs as per note 4 'segment information' in the 30 June 2014 financial report

Goodman Fielder's Dairy division in New Zealand was severely impacted by the record increase in the farmgate milk price during the year.

The published farmgate milk price, which is a key determinant of Goodman Fielder's product cost, increased by 57 per cent during the year. Goodman Fielder was not able to fully recover this higher input cost through wholesale pricing to its customers which had a significant effect on margins in the Dairy business.

Revenue increased on higher pricing and from an increase in milk volumes in key accounts, partially offset by lower volumes in Route Food Service accounts. Volumes were also lower due to the sale of the Meats business to Heller's effective 31 March 2014.

Earnings were impacted by the record increase in the farmgate milk price, with normalised EBIT declining by 47 per cent on the prior year.

In June, Goodman Fielder announced an expansion and upgrade of its UHT milk plant in Christchurch, New Zealand, increasing capacity to meet growth opportunities across the Asia Pacific region.



## Asia Pacific

<i>A\$m unless specified</i>	<b>FY14</b>	<b>FY13</b>	<b>Variance</b>
<b>Revenue</b>	<b>353.7</b>	331.8	+7%
<b>EBIT (Normalised)*</b>	<b>65.1</b>	56.4	+15%
<b>EBIT Margin*</b>	<b>18.4%</b>	17.0%	+8%
<b>Capital Expenditure</b>	<b>10.4</b>	10.0	+4%

Note: (\*) Represents EBIT before restructuring costs as per note 4 'segment information' in the 30 June 2014 financial report

Earnings from the Asia Pacific division increased significantly on the prior year as the company successfully resolved the one-off operational capacity issue in the Fiji Poultry business.

Despite a volume decline of 2 per cent, revenue increased by 7 per cent to \$353.7 million from improved pricing and product mix in Fiji and Papua New Guinea, off-setting higher wheat costs during the year. Flour volumes in PNG were higher, partially offset by lower stockfeed volumes.

In Fiji, the company successfully addressed the capacity issue which impacted prior year performance. In FY13 a higher than expected livestock mortality rate reduced the company's ability to supply poultry to the Fiji market. Resulting lower volumes, together with higher costs associated with remediating the issue, impacted performance.

In FY14, the company made significant progress in resolving this issue with key operational metrics (mortality rates and processing yield) all returning to pre-issue levels. As a result, volume in the Fiji Poultry business was 16 per cent higher than the prior year.

Normalised EBIT was 15 per cent above the prior year, reflecting improved revenue and gross margin in Fiji from lower operational costs, partially offset by the lower PNG Kina vs the Australian dollar. EBIT margin also improved compared to the prior year.

## FY15 OUTLOOK

The outlook for retail trading conditions, particularly in Australia and New Zealand, remains difficult with continuing competitive pressure on product volumes and pricing. The company continues to carefully monitor the recent introduction of "dollar bread" in New Zealand to assess any potential impact on proprietary bread volumes and pricing.

In New Zealand, the reduction in the farmgate milk price from 1 July 2014 is expected to assist in earnings improvement in the Dairy business in FY15.

In this environment, Goodman Fielder will maintain its focus on strong operational cost control and expects to achieve further cost efficiencies from the simplified corporate structure implemented towards the end of FY13.

"Our immediate priorities are to arrest the earnings decline in Grocery, particularly in spreads and edible oils, implement our plans to improve manufacturing reliability across the Baking network and work through solutions to capture greater cost efficiencies in the daily fresh delivery model in Australian Baking," said Mr Delaney.

"While we expect FY15 to be another difficult year, we continue to refine our strategy and re-align the cost base to deal with these challenges to build our competitive position," he said.



## UPDATE ON SCHEME OF ARRANGEMENT

On 2 July 2014, Goodman Fielder announced that it has entered into a Scheme Implementation Deed with Wilmar International Limited and First Pacific Company Limited under which Wilmar and First Pacific will acquire all of the remaining issued equity in Goodman Fielder that they do not already own by way of a scheme of arrangement.

Under the terms of the Scheme, Goodman Fielder shareholders will be entitled to receive A\$0.675 cash per share subject to all necessary conditions being satisfied or waived and the Scheme becoming effective.

In the absence of a superior proposal and subject to an independent expert concluding that the Scheme is fair and reasonable and in the best interests of Goodman Fielder shareholders, the Board of Goodman Fielder unanimously recommends that Goodman Fielder shareholders vote in favour of the Scheme.

Wilmar and First Pacific are progressing the regulatory approvals process in accordance with the Scheme Implementation Deed and it is currently anticipated that a Scheme Booklet (including the Independent Expert's Report) will be sent to shareholders in October 2014.

Goodman Fielder anticipates that a shareholder meeting to approve the Scheme will be held in late November with a Scheme Implementation date in December 2014.

However, it should be noted that these are indicative dates and subject to change, depending on the progress of regulatory approvals.

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### For further information contact:

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**Basis of Preparation:** Normalised EBIT, EBITDA, EPS and NPAT are non-IFRS measures that reflect, in the opinion of the Directors, the ongoing operating activities of Goodman Fielder in a way that appropriately presents its underlying performance. The non-IFRS underlying profit measures exclude restructuring expenses, profits or losses from sale of businesses and assets, insurance proceeds, asset write-downs, asset impairments and realised foreign exchange losses. The non-IFRS financial information has not been audited or reviewed.

KPMG has undertaken a set of agreed procedures to agree that certain historical financial information contained in this announcement corresponds to the underlying Goodman Fielder financial information. These procedures do not constitute a review or an audit.

Certain statements contained in this announcement may constitute forward-looking statements or statements about future matters that are based upon information known and assumptions made as of the date of this announcement. These statements are subject to risks and uncertainties. Actual results may differ materially from any future results or performance expressed, predicted or implied by the statements contained in this announcement.

Goodman Fielder is Australasia's leading listed food company. The company has an excellent portfolio of well known consumer brands in some of Australia's, New Zealand's and Asia Pacific's largest grocery categories, including MeadowLea, Praise, White Wings, Pampas, Mighty Soft, Helga's, Wonder White, Vogel's (under licence), Meadow Fresh, Irvines Flame and Crest. Our products cover every meal, including breakfast, lunch, dinner and snacks. We produce bread, milk, margarine, flour, dressings, condiments, mayonnaise, frozen pastry, cake mix, desserts, sauces, vinegar and cooking oils.