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20 November 2014

Announcements Officer
ASX Market Announcements
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Listed Company Relations
NZX Limited
Level 2, NZX Centre
11 Cable Street
WELLINGTON
NEW ZEALAND

Goodman Fielder Limited 2014 Annual General Meeting – Chairman's Address

As required by ASX Listing Rule 3.13.3, I attach the Chairman of the Board's address to shareholders which will be delivered at the Annual General Meeting today.

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

Yours sincerely,

SARA GOLDSTEIN
Company Secretary

Address to the

2014

ANNUAL GENERAL MEETING

of

GOODMAN FIELDER LIMITED

by

Mr Steven Gregg

Chairman

10.30am, 20 November 2014

Goodman Fielder, Triniti 2, 39 Delhi Road, North Ryde

Ladies and Gentlemen, today, I want to focus my address on two main topics.

First, I would like to provide you an overview of the company's performance for the 2014 financial year. This will include our financial performance but also an update on how the company has progressed some of the other key strategic initiatives during the year.

I would then like to spend some time discussing the proposed transaction which may result in a possible change of control of your company.

I know this is a subject of particular interest to shareholders and I want to ensure I provide you with as much information as I can, specifically in relation to the background to the proposal, the Board's decision and recommendation to shareholders and importantly, the current situation and next steps.

I look forward to any questions you have both now at the meeting but also afterwards where members of the Board and management will be available to answer your questions.

Year in Review

Ladies and Gentlemen, 2014 was a challenging year for your company in a number of respects.

Trading conditions in our core markets of Australia and New Zealand remained difficult with weak consumer sentiment and increased competition which continued to put pressure on pricing and volume in several of our key categories.

We also experienced significant commodity cost inflation, especially in the farmgate milk price in New Zealand and the Australian dollar wheat price.

Given the continuing challenging trading environment, we were not able to fully recover these input cost increases through retail pricing and that impacted our margins and earnings in our Australian and New Zealand businesses.

We had a much improved result in our Asia Pacific business; however, that was not sufficient to off-set the earnings decline in Australia and New Zealand.

The net result was that at a Group level, our *normalised* earnings before interest and tax (which <u>exclude</u> significant items) declined by 19 per cent to $150.7 million.

Normalised net profit after tax was $63.1 million, a decrease of 17 per cent on the prior year.

The company's *reported* results <u>include</u> the impact of significant items.

For the 2014 financial year, these included the loss on sale of the non-core businesses we divested during the year, (Biscuits, Meats and Pizza), cash restructuring costs and non-cash impairments to the Baking business in Australia and New Zealand and the Grocery business in New Zealand.

Capital Management

In 2014, your Board continued its strong focus on capital management to ensure the company remains in a strong financial position, while having the financial flexibility and resources to reinvest in our core businesses.

Net debt at year end was $481 million. While this was marginally higher than the prior year, we continue to have significant headroom within our banking facilities and our financial position remains strong. Indeed our net debt has more than halved since we commenced the strategic plan in July 2011.

Your Board resolved to pay a final dividend of 1 cent per share, which was paid to shareholders on 1 October 2014, bringing the full year dividend to 2 cents per share.

Strategic Objectives

While the financial result was disappointing, we continued to make progress on some of the fundamental components of turning around the company.

Let me summarise these briefly:

- **Safety** – the rate of injuries in our workplaces (SIFR) declined by 42% - a significant improvement on the prior year but we still have a lot of work to do to get to industry best practice;
- **Quality** – the number of complaints from consumers declined by 20% - again a good improvement on the prior year, and we are seeing this trend continue this year;
- **Employee engagement** – the level of our employee engagement increased by 7 points, following a similar 7 point increase in the prior year. This is a positive achievement, particularly given the amount of restructuring work undertaken over the course of the year;
- **Brand re-investment** – our expenditure on brand and related marketing investment increased by 20 per cent to support our market-leading brands in our core categories;
- **Product Innovation** – we launched new products in new categories such as gluten free and lower carbohydrate bread and we now have a stronger pipeline of new product development opportunities; and
- **Capital Investment** – we announced a $25 million project at our plant in Christchurch to leverage our existing export capacity of UHT milk to the growing premium UHT market in China.

You can find much more detail on each of these initiatives in our Annual Review which is available on Goodman Fielder's website.

Remuneration

I will make a couple of brief comments on remuneration.

There was no change to the company's remuneration policy last year and our remuneration structure continues to be aligned to the creation of shareholder value under the company's Strategic Plan.

In FY14 there was no increase in annual Board and Committee fees for the Chairman and Non-executive Directors. Meanwhile, fixed remuneration adjustments for the Group Executive ranged between 0% and 3.5%, in line with inflation (excluding increases resulting from changes in roles).

As I have just outlined, the Group's financial targets were not achieved in FY14, so as a result, short-term bonuses were limited to payments for the achievement of safety targets only.

No financial performance threshold applied to these safety-related payments and they represent up to 10% only of an executive's total short-term incentive opportunity.

Finally, there was no allocation of shares under the Group's long-term incentive plan as ROCE and relative TSR performance targets were not achieved at the end of the three-year performance period.

Shareholders will have the opportunity to vote on the remuneration report later in the meeting.

Update on proposed transaction

I would now like to provide some commentary on the proposed transaction regarding the potential change in ownership of Goodman Fielder.

Shareholders will also have an opportunity to ask questions about this proposed transaction later in today's meeting.

First, let me provide some background and context to the current situation.

Shareholders may recall that in February 2012, Wilmar International, a leading agribusiness company based in Singapore, became a substantial shareholder in Goodman Fielder with a 10.1% holding in the company.

In April this year, Wilmar, jointly with First Pacific, a Hong Kong-listed investment company which has significant investments across the region, approached the Board with a desire to enter into discussions to acquire Goodman Fielder. At this time, Wilmar and First Pacific made a non-binding, conditional proposal to acquire Goodman Fielder at a price A$0.65 per share.

The Board determined that this proposal undervalued Goodman Fielder and we advised Wilmar and First Pacific accordingly.

However, we also advised that the Board remained focused on maximising shareholder value and that we would be constructive in relation to proposals which were consistent with that objective.

The Board subsequently engaged in further discussions with Wilmar and First Pacific which resulted in an increased offer price of A$0.675 cash per share plus the payment of a final dividend for FY14 of A$0.01 per share – effectively an offer price of A$0.685 cash per share.

This price followed an initial increase in the offer to A$0.70 which was revised downwards slightly. The revised offer followed the completion of an extensive due diligence process and received the Board's agreement to recommend the transaction to shareholders.

This recommendation was subject to the Board not receiving a higher offer, shareholder approval, an independent expert concluding that the proposal is fair and reasonable and in the best interests of non-associated Goodman Fielder shareholders and all necessary regulatory and Court approvals.

As a result, on 2 July 2014, Goodman Fielder entered into a Scheme Implementation Deed for Wilmar and First Pacific to acquire 100% of Goodman Fielder via a Scheme of Arrangement.

Under the terms of this Scheme, Goodman Fielder shareholders will be entitled to receive A$0.675 cash per share (plus the 1 cent final dividend which was paid on 1 October 2014), subject to all necessary conditions being satisfied or waived and the Scheme becoming effective.

Should the transaction proceed, Goodman Fielder will no longer be listed on the ASX and NZX and will instead be owned by Wilmar and First Pacific.

Let me assure shareholders that your Board gave very careful and detailed consideration to this proposal from Wilmar and First Pacific before making this recommendation.

We considered a range of factors, including first and foremost, the value creation for shareholders, potential growth prospects of the company under new ownership and importantly, what the transaction means for our people, our customers and of course, our consumers.

In relation to value creation for shareholders, the scheme consideration of A$0.675 cash per share represents a significant premium to the Goodman Fielder share price prior to the offer.

More specifically, it represents a premium of:

- 22.7% to the Goodman Fielder closing share price of 55 cents on 24 April 2014 which was the last trading day before the announcement of the initial, non-binding and conditional proposal;
- 27.7% to the volume weighted average price of Goodman Fielder Shares for the one month up to and including 24 April 2014; and
- 42.1% to the Goodman Fielder closing share price of 47.5 cents on 2 April 2014, which was the day on which we provided an update on trading conditions.

In relation to the growth prospects of the company and opportunities for our staff, customers and consumers, the Board believes the transaction will allow Goodman Fielder to further leverage our strong consumer food brands in Australia and New Zealand to grow our business across the Asian region.

Wilmar and First Pacific are financially strong businesses which are complementary to Goodman Fielder's existing operations.

Wilmar is a leading Asian agribusiness group with an extensive distribution network covering China, India, Indonesia and 50 other countries. First Pacific provides significant distribution and access for Goodman Fielder across Indonesia through the Salim group and through its 50.1% ownership of Indofood, the largest vertically integrated food company in Indonesia.

Having considered a wide range of factors, your Board believes the proposed transaction is an attractive value outcome for shareholders and also represents a positive outcome for our employees, our customers and our consumers.

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

I would like to stress this important point.

The proposed transaction is being undertaken by a scheme of arrangement. That means that the transaction can only proceed if shareholders approve the transaction by a requisite majority at a scheme meeting of shareholders.

There are also a number of other requirements for the transaction to proceed.

These include:

- an independent expert concluding that the scheme is fair and reasonable and in the best interests of shareholders;
- all necessary regulatory approvals being obtained; and
- Court approval of the Scheme.

Timing and next steps

While we had originally expected to hold a shareholder meeting in November 2014 to vote on the Scheme, the approval process in China has taken longer than initially anticipated. As we advised shareholders and the market in September, we now expect to hold a shareholder meeting in the first quarter of 2015, subject to the progress of regulatory approvals.

In advance of that meeting, shareholders will receive a Scheme booklet, which will include the independent expert's report.

I encourage shareholders to read the Scheme booklet when it becomes available and to attend the Scheme meeting.

We will also make sure we respond to any questions you may have prior to the meeting.

Conclusion

Ladies and Gentlemen, in closing, I would like to thank Chris Delaney, his management team and all Goodman Fielder employees for their contribution throughout the year.

It has been a difficult year, particularly with the company having to respond to the challenging market conditions by making the difficult but necessary decision to implement further restructuring measures which resulted in a number of people leaving the company.

The Board understands the impact these decisions have on those affected employees but also on those people remaining with the business and I want to acknowledge the hard work and professionalism of our people right across the company.

I would also like to thank my colleagues on the Board for their commitment, significant contribution and wise counsel over the past year. Shareholders can be assured that your Board has undertaken a significant workload over the course of the year with the primary focus in the past six months to fully evaluate all options for the company to maximise the value of the company for shareholders.

Finally, I would like to thank shareholders for your ongoing support of the company. It has been a particularly challenging year and let me assure you of the Board's continuing focus to maximise value for you.