

ASX/NZX ANNOUNCEMENT

22 November 2013

Annual General Meeting – Update on Trading Conditions

At its Annual General Meeting today, Goodman Fielder provided an update on trading conditions across its businesses in Australia, New Zealand and Asia Pacific.

Managing Director, Chris Delaney, said: “In our outlook statement at the full year results in August, we said that we expected trading conditions to remain competitive with specific challenges relating to commodity input prices in our Dairy business in New Zealand.

“While those conditions have remained essentially unchanged, further increases in commodity prices have continued to impact our New Zealand dairy business in the first half and we continue to address these challenges across our core markets.”

While trading conditions in the **Australian** market are challenging, the company has continued its strategy to support its core brands with increased investment in Direct Marketing Expenditure (DME) in the first half.

In Baking, average shelf prices have increased since June; however, the market is still experiencing aggressive promotional pricing in fresh loaf, particularly at the premium end of the segment.

In the Grocery business, while Dressings and Mayonnaise has performed well in the latest quarter on the back of improved ranging and new product development, market conditions in Spreads and Cake Mix remain very challenging.

In **Asia Pacific**, operational metrics such as mortality rates and yield continue to improve in the Fiji Poultry business. The company remains focused on the challenge of driving increased sales volumes, particularly in the peak Christmas season in Fiji.

As indicated at the full year results in August, the impact of the significantly higher farmgate milk price and aggressive competitor pricing has impacted margins in the **New Zealand** Dairy business in the first quarter.

The published farmgate milk price, which is a key determinant to Goodman Fielder’s product cost, has increased by over 40 per cent since the fourth quarter of FY13.

Due to aggressive competitor wholesale pricing, Goodman Fielder has not been able to fully recover this significantly higher input cost through wholesale pricing to its customers which has continued to impact margins in the first half.

Given the significant increase in the farmgate milk price, normalised EBIT in the NZ Dairy business is expected to be impacted by A\$8-10 million in the first half of FY14 which is very unlikely to be recovered in the second half.

The time lag between the increase in the raw milk price and the partial recovery of input costs through wholesale pricing also means that earnings in the NZ Dairy business will be weighted to the second half of the year.

A key priority for the company in FY14 is to strengthen the equity across its core branded portfolio through innovation and increased investment in research and development and DME.

As a result, investment in DME in the first half of FY14 is expected to increase by around 100 per cent compared to the second half of last year to support marketing and advertising campaigns in Baking, Dairy and Grocery.

Goodman Fielder expect the benefits of that increased investment will be reflected initially in improved gross margin and contribution before marketing and subsequently in earnings growth as these initiatives take hold further.

As a result of this increase in DME reinvestment in the first half, together with the timing delay to partially recover increased NZ Dairy commodity costs, the company continues to expect that earnings in FY14 will be weighted significantly towards the second half.

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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 largest grocery categories, including MeadowLea, Praise, White Wings, Pampas, Mighty Soft, Helga's, Wonder White, Vogel's (under licence), Meadow Fresh and Irvines. Our products cover every meal, including breakfast, lunch, dinner and snacks. We produce bread, milk, margarine, flour, dressings, condiments, mayonnaise, frozen pastry, cake mix, pies, savouries, smallgoods, chilled and frozen pizza, desserts, sauces, vinegar and cooking oils.