

ASX/NZX ANNOUNCEMENT

2 April 2014

UPDATE ON TRADING CONDITIONS

Goodman Fielder provides an update on market conditions across its businesses and the anticipated impact on financial performance for the year ending 30 June 2014 ("FY14").

At its interim result on 12 February 2014, the company expected normalised earnings before interest and tax (EBIT) for FY14 to be broadly in line with the prior year, subject to market conditions remaining substantially as they were at that time.

Since that release, trading conditions in Australia and New Zealand have deteriorated and manufacturing and supply chain cost savings under Project Renaissance have been delayed. This has required the company to revise its earnings expectations for the fourth quarter.

In **Baking**, while volumes increased in the third quarter, net average selling price (NASP) was lower than expected. Additionally, approximately \$10-15 million out of a total of around \$32 million in Project Renaissance savings which were expected to be achieved in FY14 have been delayed until FY15. Continuing reliability issues across the manufacturing and supply chain network have required the company to continue to invest to maintain customer service metrics which is impacting earnings in the short term.

Third quarter earnings in the **Grocery** division were lower than expected due to increased competition impacting price and volume across the portfolio.

Fourth quarter earnings in Grocery are expected to be further impacted by difficult trading conditions and lower customer inventory levels.

In the New Zealand **Dairy** business, a further increase in the farmgate milk price from NZ\$8.30 to NZ\$8.65 kg/S is expected to impact earnings in the short term. Goodman Fielder has notified customers of price increases, however there is a time lag between the increase in the raw milk price and cost recovery.

Earnings expectations in the **Asia Pacific** business remain largely unchanged. Operational metrics in the Fiji Poultry business continue to improve and FY14 normalised EBIT for Asia Pacific is expected to increase on the prior year.

FY14 outlook

Given the deterioration in market conditions since February, which has impacted third quarter performance, and a revision to fourth quarter forecasts, Goodman Fielder has revised its earnings guidance for FY14.

Goodman Fielder now expects normalised EBIT for FY14 to be approximately 10-15 per cent below the current analysts' consensus of approximately A\$180 million.

Goodman Fielder will conduct a detailed analysis of the carrying value of its businesses according to accounting standards.

While that analysis is yet to be completed, the company currently expects to record non-cash impairments, reflecting the deterioration in the trading outlook across its portfolio.

As a result of lower forecast earnings, the company's net debt position at 30 June 2014 is not expected to reduce as previously anticipated. However, Goodman Fielder's financial position remains strong and the company continues to operate comfortably within its debt covenants.

Management Response

In response to the challenging trading conditions, Goodman Fielder has accelerated cost reduction programs across its businesses.

At its interim result, the company had identified an additional \$25 million in cost savings under Project Renaissance to be achieved by FY16. The company has accelerated these cost saving initiatives, primarily through headcount reduction in the fourth quarter of FY14, and now expects to achieve the additional \$25 million in cost savings by FY15.

Cash restructuring costs related to redundancies are expected to be recorded as significant items in the FY14 accounts.

Investor Conference call details

Goodman Fielder will host an analyst conference call **today** at 10am AEDT

Conference ID: 22780887
Conference Name: Goodman Fielder
Date: Wednesday, 2 April 2014
Time: 10:00am AEDT
Dial in number: + 61 (0) 2 8373 3582

Participants will be asked their name and company. There is NO password

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For further information contact:

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