

FREEDOM FOODS GROUP

Growing through health and wellness





MAKING FOOD BETTER

freedom[®]

FOODS GROUP





OVERVIEW

- A Company strategically well positioned to build scale in key food and beverage platforms
- Operating EBDITA of \$26.2 million, an increase of 22% on the previous corresponding period. Comparable Net Sales Revenues increased 54% to \$262 million.
- A credible operating performance in a year of significant development for the Company, with the result impacted by a number of once off non recurring factors.
- Completion of approximately \$130 million of major capital expenditure projects across the Group
- Completion of the acquisition of Australian Consolidated Milk's 50% interest in Pactum Dairy Group at Shepparton
- Acquisition of the "Vital Strength" Performance Nutrition brand to expand in the performance and adult nutrition markets
- The Company is experiencing a strong start to the 2018 financial year, with net sales revenues estimated to be in the range of \$340 to \$360 million, as compared to \$262 million in FY 2017

CAPABILITIES





UHT FACILITY INGLEBURN

The Company has completed construction of a new state-of-the-art UHT facility at Ingleburn in South West Sydney.



UHT FACILITY INGLEBURN

CAPABILITIES

- 1st stage installed
 - UHT carton capacity will be approximately 80 million litres, from current capacity at Taren Point of 50 million litres.
 - Total processing capacity is 180m litres
- Our capacity to drive sales has been constrained by the capacity of our Taren Point operations.
- The Ingleburn facility will provide the opportunity for the Company to expand its branded product sales, with a material expansion in capacity and efficiency improvements compared to current operations
- These improvements include more efficient and lower cost production, warehousing and logistics solutions compared to current arrangements.
- This is expected to materially impact sales and earnings during FY 2018 with the full benefit from FY 2019

Growth Capabilities

- Installing a number of additional capabilities including
 - yoghurt processing; and
 - a state-of-the-art PET plastic bottle capability for both long life (UHT) and short shelf life (ESL) formats
- Installation will commence in January 2018, with a contribution to sales and earnings growth expected from FY 2019
- The facility will also be capable of processing dairy products to allow a two-way redundancy with the Shepparton facility

UHT FACILITY INGLEBURN



SHEPPARTON SITE UPGRADES



- Expansion of 1 litre format capacity
- Upgraded processing and downstream packaging capability
- Installed capacity is approximately 180 million litres or 455 million packs per annum
- Investment critical to long term growth



DANDENONG FACILITY

- Expansion of cereal oven and related packaging capabilities
- This capacity expansion provides for the growing demands of existing customers and our branded portfolio in Australia, China and SE Asia.



KEY BRANDS



Our Brands

Continued transformation of a business driving growth through icon brands including Freedom Foods and Australia's Own



Category Leader

- Category leader within the Health Food Section of retail supermarkets in Australia
- Further innovation in value added cereals and snacks including products developed for on the go channels in food service were launched in August 2017



BARLEY⁺

A range of delicious cereals and bars that are uniquely formulated with the superior wholegrain BARLEYmax.

It contains more of the 3 fibre types needed to support good gut health



ARNOLD'S FARM

- The “Arnold’s Farm” brand is a leading oat based cereal products through its exclusive distribution in Woolworth’s supermarkets
- The “Arnold’s Farm” brand is one of the top 3 oat cereals on Tmall International (Alibaba) in China
- Strong sourcing and conversion capabilities uniquely position it to build a significant branded business in China for high quality imported oat based Cereal and Snacks
- Increasing investment in building distribution of its key brands including “Arnolds Farm” in traditional off line distribution channels in key tier 1 and tier 2 cities



MESSY MONKEYS

- Made for Kids, with hidden goodness of Sorghum (nutrient powerhouse) and Quinoa (ancient grain), delivering 11% of their daily fibre needs
- With no artificial colours, flavours or preservatives our Messy Monkeys bites are the perfect snack for your Messy Monkey to have more fun





CRAFTED BLENDS

Innovation in healthy
snacking occasions

Take the journey with us
and discover a little
healthy indulgence that's
perfect for any snacking
occasion.

Carefully crafted with a
unique and delicious
blend of ingredients to
excite your taste buds

PEG

Innovation in healthy on
the go snacking
occasions

A plant based energy bar
range that fuels Urban
Millennials at all
altitudes. Made with chia
seeds, cashew butter and
whole grain oats to
power your moments
your way.



AUSTRALIA'S OWN ORGANIC

- Upward trend in Plant based branded beverage sales, reflecting strong growth in the Australia's Own range and Blue Diamond Almond Breeze brand in retail channels
- In retail grocery, the Company is largest supplier of Almond beverages, including products under the Australia's Own brand, our licensed Blue Diamond Almond Breeze brands and private label offers
- The trend towards plant based food and beverages is increasing in Australia and global markets, driven by a desire for healthier and "cleaner" lifestyles, which is motivating consumers to focus on fruits, vegetables, nuts, seeds grains and other botanicals





MILKLAB

- The increasing growth of food service channels (e.g. cafes and similar) and demand for plant based milks, consistent with the retail grocery trend, has seen increasing demand for coffee milk products
- The Company's range of Barista blend brands including the premium "MilkLab" range, "Almond Breeze" Almond Barista incorporate process technology to deliver a product that "works" with coffee. Further investment during the period in marketing and sales resources support resulted in continued strong growth in sales
- Significant growth opportunity in this growing and high margin food service channel
- We are expanding our food service field team to accelerate this business area in 2018

AO BY AUSTRALIA'S OWN

Launch of a range of fresh organic Almond beverages under the Australia's Own Brand into retail grocery

The launch is the Company's first activation into the chilled category and has performed ahead of expectations



AO KIDS MILK

- With significant ongoing marketing investment including point of sale promotion, sampling and sponsorship of leading children's TV programmes, AO Kids Milk product has continued its strong growth trajectory, with the product now the largest imported Kid's Milk brand in China where it is distributed
- The Company has been producing the Kid's Milk product from its Taren Point site with production limited by capacity of approximately 35 million packs per annum
- With demand now beyond current capacity, the Company has invested in high speed 200ml capacity to be available from late 2017, with volume to be in excess of 60 million packs in calendar 2018





VITALIFE

- Progressively developed the So Natural and Vitalife brands in the China market, commencing in 2014 through offline specialty channel distributors
- Sales of “So Natural” and “Vitalife” UHT products have continued to grow through cross border ecommerce channels with the major online retailers JD.com and Tmall

Nutritionals



VITAL STRENGTH

The Company is leveraging its growing dairy capabilities to build a branded high margin product portfolio in specialty nutritional products



VITAL STRENGTH

Opportunity from our nutritional capabilities is that we can supply best quality and high cost ingredients to ourselves.

Up to 90% ingredients sourced from FFGL nutritional capabilities.



Main ingredients

- Whey protein concentrate
- Whey protein isolate
- Calcium caseinate

Flavour ingredients

- Cocoa
- Flavour
- Fructose

Active ingredients

- Thermogenics
- V&M
- Gums

Value Adding Dairy Ingredients

Nutritional capability will unlock significant earning potential for FFGL Fat and Protein usage



Fat 4.1%
Protein 3.5%
\$.50



Fat 3.3%
Protein 3.3%
\$1.50

Access to +200 million litres of best quality milk
Standardising excess protein and cream

High Value Ingredients

Packed Cream



Using Fat
\$4.50

Drinking Yoghurt



Value added
milk / fat
\$8

On-the-go Sports Nutrition



Whey Protein Isolate
\$12

Infant + Adult Nutrition



Protein Lactoferrin & α -lactalbumin
\$25-\$35

Sports Nutrition



Whey Protein Isolate
\$50



\$200

High value added product ranges supplied by fully integrated nutritional capabilities

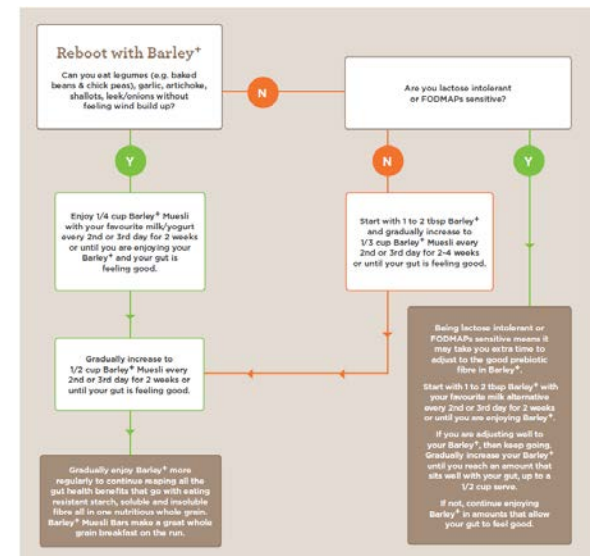
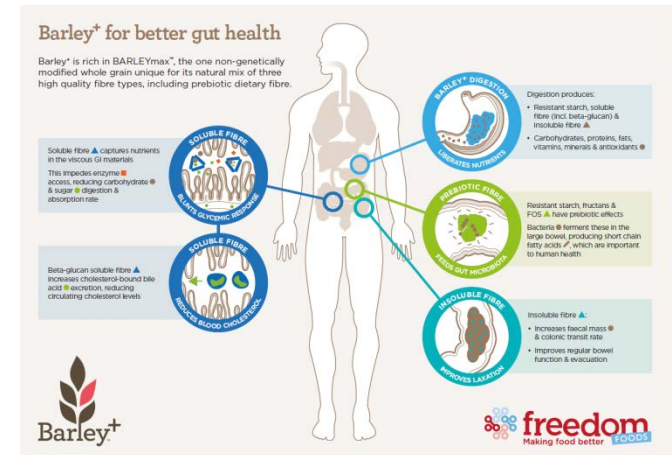
Health Care Practitioners Network

- Building a science based support and education network for Health Care Practitioners
- Led by Dr Sonja Kukuljan PhD
- A key part of our nutritional care support to Barley + and other key nutritional products being launched by the Company

APPLIED NUTRITION SCIENCE



REBOOT YOUR GUT BACTERIA,
WITH BARLEY⁺ AND ITS PREBIOTIC
DIETARY FIBRE



Supply Chain



DAIRY MILK

MOXEY FARM

- The Moxey Farm is the largest dairy milking operation in Australia
- Recent expansion from 3,700 milking cows to 6,000 milking cows as part of a \$40 million expansion





Key Grains Supply

- Utilising key farmer suppliers to build the Company's specialised grains supply platform
- Expanded to include Oat and Barley requirements during the year.

FY 2017

FINANCIALS



OPERATING EBITDA

Underlying vs Statutory

12 Months to 30 th June (A\$ million)	2017	2016	Movement
Underlying Operating EBDITA (1)	26.2	21.5	+4.7
Other costs not representing underlying performance (2)	(2.4)	(2.2)	+0.2
Employee Share Option Expense (non cash)	(0.4)	(0.4)	-
Statutory EBDITA	23.3	18.8	+4.5

Note:

1. Operating EBDITA (Earnings before depreciation, interest, tax and amortisation) is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Operating EBDITA is used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments.

2. FY 2017 other costs not representing underlying performance comprise once off acquisition costs of \$1.3m, unrealised foreign exchange loss of \$444k and restructuring costs of \$668k including costs relating to discontinued operations realised in the year and workers compensation settlement from a 2015 incident.

Non cash employee share option expense of \$448k in FY 2017.

FINANCIAL SUMMARY

12 Months to 30 June 2017	2017	2016	
	\$'000	\$'000	% Change
Net Sales Revenue	262,481	170,444	+ 54.0%
EBDITA (Underlying Operating) (1)	26,240	21,526	+ 21.9%
EBDITA (Statutory)	23,375	18,926	+ 23.5%
Equity Associates Share of Profit (2)	480	372	+ 29.0%
Pre Tax Profit (Operating)	12,213	13,691	- 10.8%
Pre Tax Profit (Reported)	9,348	57,114	- 83.6%
Income Tax (Operating)	2,363	2,873	-17.7%
Net Profit (Operating)	9,850	10,818	- 9.0%
Net Profit (Reported)	7,539	50,631	- 85.1%
Interim Ordinary Dividend (cps)	2.25	2.25	-
Interim CRPS Dividend (cps)	1.35	1.35	-
EPS (cents per share) (Fully Diluted for CRPS)	4.78	28.54	- 83.3%
EPS Operating (cents per share) (Fully Diluted)	6.51	6.06	+ 7.5%
Shareholders Equity (3)	321.4	287.1	+12.0%
Net Debt / Equity (3)	56.3%	14%	
Net Assets per Share (cents)	160.0	158	
Net Tangible Assets per Share (cents)	109.0	119.8	

Notes:

- Underlying Operating EBDITA excludes pre-tax abnormal or non-operating charges including an add back of non cash employee share option expense of \$448k. FY 2017 other costs not representing underlying performance comprising once off acquisition costs of \$1.3m, unrealised foreign exchange loss of \$444k and restructuring costs of \$668k including costs relating to discontinued operations realised in the year and workers compensation settlement from a 2015 incident.
- Equity Associates is share of NPAT of Australian Fresh Milk Holdings (10% equity interest held by Freedom Foods Group).
- Shareholders equity at year end of \$321 million, reflected a debit to reserves of \$54.1m. This related to the acquisition impact of acquiring the ACM shareholding in Pactum Dairy Group (PDG) in February for \$47m. As PDG was an existing controlled entity of the Group, the accounting standards require the goodwill generated on acquisition to be debited against the common control reserve, with a consequent negative impact on equity.

FINANCIAL SUMMARY BY BUSINESS UNITS

12 Months to 30 June 17 (A\$ million)	Cereal Snacks	Plant	Dairy	Nutritionals	Seafood	Other	Total
Net Sales Revenue (1)	92.2	82.6	94.1	1.8	13.8	(21.9)	262.5
Trading EBDITA	10.7	12.8	7.4	0.5	1.9		33.3
Other Gains and Losses						0.2	0.2
Equity Associates (2)						0.5	0.5
Corporate Costs (3)						(7.7)	(7.7)
Operating EBDITA	10.7	12.8	7.4	0.5	1.9	(7.1)	26.2
Net Sales Change (YOY %)	+66.4%	-3.1%	+131.9%	NA	+10.9%		
Net Sales Change (YOY \$ million)	36.8	(2.6)	53.5	1.8	1.3		

Note:

1. Net Sales Revenue is after intercompany elimination of sales (Cereals and Snacking of \$2.6m, Plant Based beverages of \$18.4m and Dairy of \$891k).
2. Equity Associates is share of NPAT of Australian Fresh Milk Holding (10% equity interest held by Freedom Foods Group).
3. Corporate costs exclude non cash employee share option expenses of \$448k.

FINANCIAL SUMMARY BY BUSINESS UNITS

FY 17 vs FY 16

For the year ended 30th June 2017, the Company has presented the segment reporting consistent with its core business categories and management reporting basis effective from 1 July 2016. This has changed from the segments reported in FY 2016 and at the half year.

12 Months to 30 June (A\$ million)	Cereal Snacks	Plant	Dairy	Nutritionals	Seafood	Other	Total
Net Sales Revenue (FY 2017)	92.2	82.6	94.1	1.8	13.8	(21.9)	262.5
Net Sales Revenue (FY 2016)	65.9	74.7	40.6	-	12.4	(23.1)	170.0
Change in Net Sales Revenues (17 vs 16)	26.3	7.9	53.5	1.8	1.3	1.2	92.0
% change in Net Sales Revenues (17 vs 16)	39.9%	10.5%	131.9%		10.9%	-5.3%	54.0%

The changes in the composition of the reportable segments include:

- Freedom Foods entity is now classified as Cereals and Snacks with the transfer of retail branded plant beverage sales from Freedom Foods entity to Pactum entity.
- Pactum entity is now classified as Plant Beverages with the transfer of dairy beverage sales from Pactum entity to Dairy Beverages entity.
- Pactum Dairy Group entity is now classified as Dairy Beverages with the transfer of dairy beverage sales from Pactum entity to Dairy Beverages entity.
- Nutritionals is a new segment reporting, comprising the "Vital Strength" branded business and nutritionals products to be manufactured in future years.
- Specialty Seafood remains unchanged.

CAPITAL RAISING

- The Company completed a capital raising in December 2016 that comprised a pro-rata accelerated non-renounceable entitlement offer and institutional placement
- The offer raised a total of \$75 million, with the institutional component being significantly oversubscribed with strong demand from a broad range of high quality institutional investors including existing institutional shareholders. The offer price was \$4.45 per share, which represented a 5.9% discount to the volume weighted average trading price over the preceding 30 day period.
- The funds raised from the capital raising were utilised in the funding of the Company's growth strategy including the acquisition of Australian Consolidated Milk's 50% interest in Pactum Dairy Group, the acquisition of Power Foods as well as providing the Company with additional balance sheet flexibility for future growth opportunities including the capital expenditure initiatives which are ongoing in relation to product and capability expansion at our Shepparton, Ingleburn and Dandenong facilities.

CASH & LIQUIDITY

As at 30 June 2017

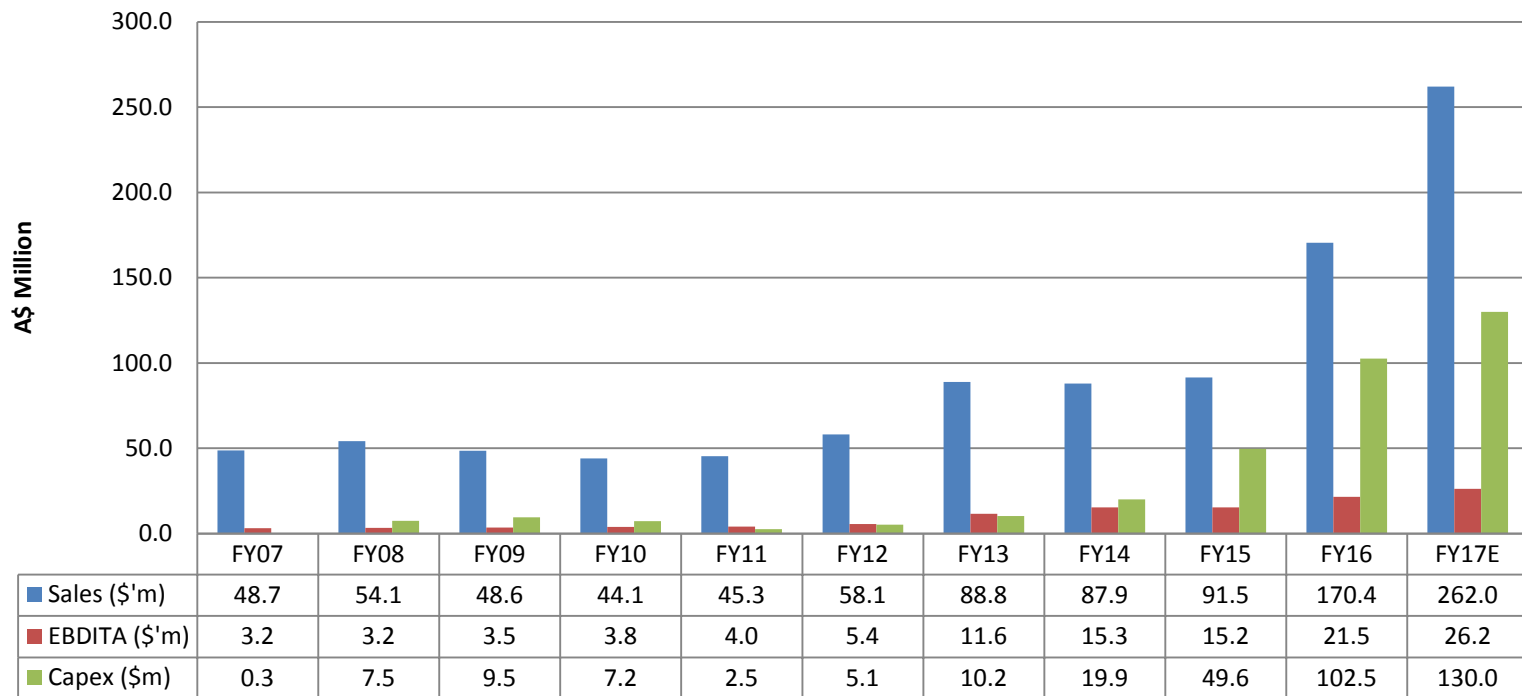
- The Company held cash of \$4.2 million at 30th June 2017, with total borrowings of \$185.2 million, comprising term facilities, equipment finance leases and working capital facilities. Net debt at 30th June 2017 was \$181.0 million, with a net debt to equity ratio of 56.3%.
- Cash flow from operations was \$10.8 million, a decrease of \$3.8 million from prior year period, reflecting increased working capital requirements. During the 2nd half FY 2017, transitional working capital requirements relating to Ingleburn are estimated to be in excess of \$10 million and will reduce during 2nd quarter of FY 2018 as the Ingleburn site assumes full operation.
- During the period, the Company invested \$134.7 million in capital expenditure (relating to new facilities being constructed at Ingleburn and capital expenditure on plant and equipment at Shepparton, Dandenong, Leeton and Darlington Point operations) which was funded by cash and finance facilities.
- To provide ongoing balance sheet flexibility and to reduce any requirement for equity capital outside of a material acquisition initiative, the Company will enter into a sale and leaseback of its Ingleburn land and buildings for a net consideration of \$75 million. Funds from the sale will provide flexibility to fund growth in working capital and capital expenditure over the coming 3 years.

FUNDS EMPLOYED

Year ended 30th June A\$ Million	2017		2016		Change
Inventory	63.4		45.8		17.6
Trade and Other Creditors	-65.6		-50.8		-14.8
Net Investment in Inventory	-2.2		-5.0		2.7
Trade and Other Receivables	65.9		45.5		20.4
Working Capital	63.7		40.6		23.1
Property, Plant and Equipment	340.4		217.1		123.3
Investments	7.6		6.2		1.5
Intangible Assets	102.6		78.4		24.2
Other Assets	4.8		7.8		-2.9
Total Fixed Assets	455.4		309.4		146.1
Total Funds Employed	519.1		350.0		169.2
Other Creditors and Provisions	-16.7		-22.9		6.2
Net Funds Employed	502.4		327.0		175.4
Net Financing	181.0		39.9		141.1
Net Equity	321.4		287.1		34.3
Net Debt / Equity	56%		14%		

Capex, Sales and EBDITA Development 2010 to 2017

10 Year Development



CASH FLOW

Year ended 30th June	2017	2016
A\$ Million		
Receipts	247.8	166.8
Payments	-237.0	-152.2
Cash from Operations	10.8	14.6
Other Expenses	-1.4	-1.2
Net Interest	-2.6	-4.0
Income Tax paid	-1.4	-2.7
Net Operating Cashflows	5.4	6.6
Acquisitions	-72.7	-39.4
Payments for Property, Plant and Equipment	-138.5	-64.1
Advances to Associates	-0.9	0.0
Other	nil	90.2
Investment in Equity Interests	-1.0	-5.8
Net Cash used in Investing Activities	-213.0	-19.0
Net Cash from Financing Activities	147.9	73.9
Net Increase (decrease) in Cash	-59.7	61.6
Cash and Cash Equivalents at Opening	63.9	2.3
Net Cash	4.2	63.9

DIVIDENDS

- Consistent with the positive forward outlook for the Group's performance, the Company will pay a final fully franked dividend of 2.25 cents per ordinary share in November 2017, in line with the final dividend per ordinary share paid in November 2016. Allowing for the expanded share capital base following the December 2016 capital raising, the dividend will amount to \$4.5m, compared to \$4.1m in FY 2016.
- The record date for determining entitlements is 2nd November 2017 and the payment date is 1st December 2017.
- The Company's Dividend Reinvestment Plan (**DRP**) remains open.
- The Company will pay a fully franked converting preference share dividend in accordance with the terms of the converting preference shares. The record date for determining entitlements is 2nd November 2017 and the payment date is 1st December 2017.
- There are 101,627 converting preference shares remaining on issue at 30th June 2017.

OUTLOOK

Building a Global Food and Beverage Business based in Australia

- Uniquely and strategically well positioned to build scale in its key business platforms of plant based beverage, premium dairy and specialty cereal and snacks in Australia and key international markets
- Our key brands “Freedom Foods” and “Australia’s Own” will be at the forefront of driving our returns from our innovation and manufacturing capabilities
- The Company is experiencing a strong start to the 2018 financial year, with net sales revenues estimated to be in the range of \$340 to \$360 million, as compared to \$262 million in FY 2017
- We expect this and future year’s sales increases to flow through positively to increased operating margins reflecting the ongoing benefits of the strategy and multi stage capital investment program with acceleration of profits and returns in FY 2018 and beyond





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