

FREEDOM FOODS GROUP

1H18 Results Presentation

Growing through health and wellness



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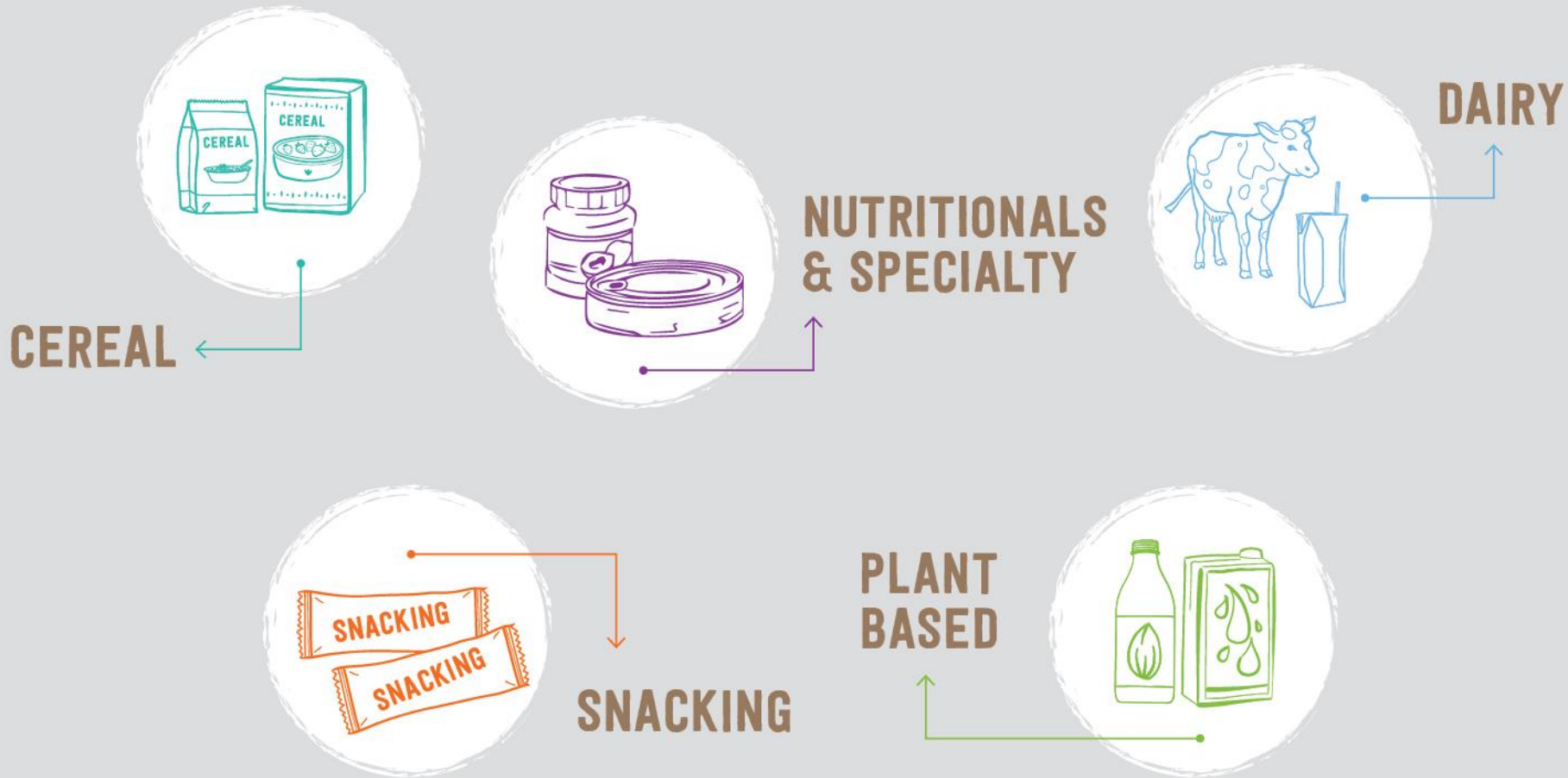
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WHAT DO WE MAKE



WHERE TO FIND US



WHERE TO FIND US

Australian Retailers



Food Service, Petrol and Convenience



Partnerships and Distribution scale in China, SE Asia



Building Distribution scale in North America



1H18 RESULTS

OVERVIEW





1H18 HIGHLIGHTS

- Net Sales Revenue of \$159.6m, an increase of 29% on the previous corresponding period reflecting:
 - Continued transformation of a Company driving growth through its icon brands (including Freedom Foods and Australia's Own) in retail & food service channels in key markets of Australia, SE Asia and China
 - Introduction of new brands which have been accepted well by the market to date, including Milk Lab in the liquids category and Messy Monkeys, Crafted Blends, Arnolds Farm and Barley+ in the cereals and snacks category
 - Successful integration of the Vital Strength acquisition, with revenue growth from increased retailer distribution and new product launches
 - Positive early sales performance from a pipeline of differentiated product innovation across all key categories introduced progressively from August 2017

1H18 HIGHLIGHTS (con't)

- Completion of major capital expenditure projects across the Group, including a new state-of-the-art UHT dairy and plant milk processing facility at Ingleburn, which will drive material ongoing earnings benefits over the medium term
- Successful transfer of operations from Taren Point to the Ingleburn site with minimal disruption, with the formal closure of Taren Point occurring in December 2017. Costs of \$4.8m associated with the discontinued operations were expensed during the HY

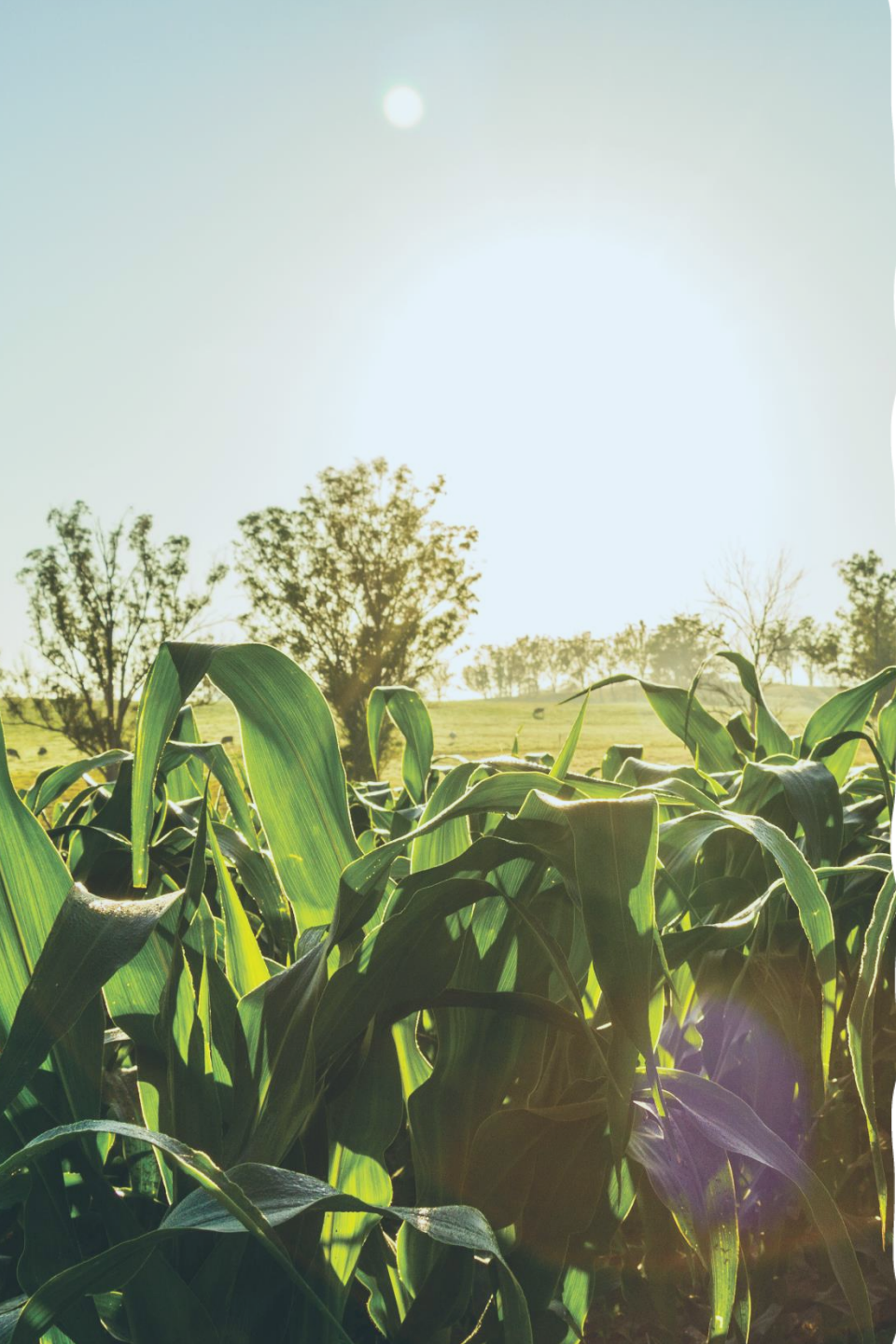


OPERATING EBITDA

Underlying vs Statutory

6 Months to 31 st December (A\$ million)	1H18	1H17	Movement
Operating EBDITA⁽¹⁾	16.0	12.5	+ 3.5
Gain on Sale of Ingleburn	3.4	–	+ 3.4
Other Costs not representing underlying performance ⁽²⁾	(6.1)	0.2	(5.9)
Employee Share Option Expense (non cash) ⁽³⁾	(0.4)	(0.2)	(0.1)
Statutory EBDITA	12.9	12.5	+ 0.4

- 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) 1H18 other costs not representing underlying performance includes once off unrealised foreign exchange loss of \$780k and restructuring costs of \$4.8m including costs relating to discontinued operations at Taren Point realised in the half.
- 3) Non cash employee share option expense of \$356k in 1H18.



OVERVIEW

- Operating EBDITA of \$16 million (28% increase) reflecting:
 - Increased operating earnings from Cereal and Snacks operations from growth in branded and non-branded activities in Australia and China
 - Increased contribution in Plant Based Beverages reflecting growth in retail and food service brands
 - Improved contribution from Dairy operations due to significant sales growth and higher factory utilisation
 - Contribution from higher margin products for Nutritionals
 - Partial margin offset from Specialty Seafood due to unfavourable COGS and FX
 - Higher Group Services costs primarily from significant investments across the Company

CAPABILITIES



**\$300 Million
Over 3 Years
Investment
in New
Facilities and
Capabilities**





UHT FACILITY INGLEBURN

CAPABILITIES

- Relocated Plant Based Beverages operations from Taren Point to the new state-of-the-art UHT facility at Ingleburn. Taren Point facility was formally closed in December 2017
- Provides opportunity to expand our brands through a material expansion in capacity and efficiency improvements compared to legacy operations:
 - \$120 million investment
 - 180 million litres processing capability
 - 80 million litres filling capacity (Stage 1)
- Additional capabilities underway including:
 - yoghurt processing
 - state-of-the-art PET plastic bottle capability for both long life (UHT) and short life (ESL) formats
- Site in process of obtaining Chinese Government export registration
- Will materially impact sales and earnings in FY18 with full benefit expected from FY 2019

UHT FACILITY SHEPPARTON



UPGRADES

- Expansion of 1 litre format capacity
- Upgraded processing and downstream packaging capability. Further upgrades expected in CY 2018
- Installed capacity is approximately +200 million litres or 455 million packs per annum
- Investment critical to long term growth

Total dairy milk volume processed:
150m litres in FY18 (85m litres previous year).
~250m litres forecasted for FY19.

Our Brands Drive Our Innovation



Our Key Master Brands

freedom **GROUP**
Making food better **FOODS** **LIMITED**

**AUSTRALIA'S
OWN[®]**



freedom **FOODS**



Plant Beverages



No 1 in UHT Plant Beverages in Australia

- Extensive platform of branded & private label Plant beverages in Australia
- Remains the largest supplier of Almond beverages in Australian groceries
- Using capacity expansion at Ingleburn to drive innovation in the category in Australia, as well as developing export markets in the medium term



AUSTRALIA'S OWN

ORGANIC

- 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
- 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





MILKLAB

- The increasing growth of food service channels (e.g. cafes and similar) and demand for plant based milks, 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
- 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

ALMOND BREEZE

- Leading Almond Specialist Brand
- Strong Retail presence
- Leading Milk for Coffee Almond Milk
- Currently ranged in over 13,000 stores Australia wide



Dairy Beverages



No 1 in UHT Dairy in Australia

- Largest producer of branded and private label UHT milk in Australia
- Complementary production sites in Shepparton and Ingleburn
- Servicing Australia, NZ, China, SE Asia and Middle East



Australia's Own Dairy Launch

- New range of Dairy Milk varieties launching in 2018
- Broad product range to include UHT, A2 Protein Milk variants, Cream and Milk Powders (in various formats)
- Ranging expected in Australian Retailers and retail channels in SE Asia and China
- Complementary to our existing AO Dairy offering in China and SEA
- Milk sourced directly from selected high quality farms in VIC and NSW



AO KIDS MILK

- AO Kids Milk product has continued its strong growth trajectory, with the product now the No 1 imported Kid's Milk brand in China, where it is distributed
- With demand beyond current capacity, the Company installed high speed 200ml capacity at Shepparton. Additional capacity will become available at Ingleburn during CY 2018
- Will be complemented with product extensions into drinking yoghurt in 2018
- FNP subscribed for a 10% equity interest (+ options to increase to 30%) in the AO China, which was established to accelerate sales, marketing and distribution efforts of the AO business in China

+ 60 Million Packs in 2018
(from 30m Packs in 2017)



SO NATURAL & VITALIFE Online & Offline Channels

- Progressively developed the “So Natural” and “Vitalife” UHT brands in the China market, commencing in 2014 through offline specialty channel distributors, including coffee chains
- Sales of products have continued to grow through cross border e-commerce channels with the major online retailers JD.com and Tmall
- Growing sales in SE Asia and Food Service in Australia



Nutritionals



VITAL STRENGTH

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



- 1H18: Launched a range of snacks and beverages to complement the existing Vital Strength range of protein powders and supplements
- Nov 2017: Launched Vital Strength range through the Company's ecommerce platforms in China

ADULT NUTRITION

Introducing real innovation into the Adult Nutrition category, leveraging our overall Nutritional capabilities

Launching a range of Adult Nutrition products from **May 2018**

Products will provide a clear functional benefit for the over 40 adult target market, including in powder and drinkable formats, distributed through retail and pharmacies

Vitalife.™



INFANT Nutrition

- Developing presence in SE Asia
- Strong support to launch from FairPrice Singapore retail chain in June 2017, with repeated orders
- Developing a significantly enhanced version of the AO “Diamond” Infant Formula product (built around Nutrition Science) for launch in 2018 for distribution in Australia, SE Asia and China



Following calls for more affordable infant formula options here, supermarket chain FairPrice announced the launch of a new range imported from Australia, priced between \$27.50 and \$35 for a 900g tin. It is priced similarly as in Australia, where the range is



NUTRITIONALS STRATEGY

Establishing a nutritionals capability that will provide for protein standardisation and ability to separate milk into industrial grade protein components, including Casein, Lactoferrin, Alpha-lactalbumin and Whey Protein Isolate

1st Stage

Protein standardisation capability installed and will contribute to sales and earnings in 2H18. Platform established adjacent existing Shepparton site, providing synergies with the existing UHT operation

2nd Stage

Protein fractionation and drying capability will be installed over the next 18 months, with a potential for a material contribution to sales and earnings thereafter.



Value Adding Dairy Ingredients

Investment in Nutritional Capabilities to unlock power of Proteins



Fat 4.1%
Protein 3.5%
\$.50

Protein & Cream

Standardise excess



Fat 3.3%
Protein 3.3%
\$1.50

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

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 FFG nutritional capabilities.



Main ingredients

- Whey protein concentrate
- Whey protein isolate
- Calcium caseinate

Flavour ingredients

- Cocoa
- Flavour
- Fructose

Active ingredients

- Thermogenics
- V&M
- Gums

NEW DISTRIBUTION AGREEMENT



- Entered agreement to undertake exclusive distribution of the Crankt Protein brand (3 years exclusive rights + right to acquire the business in future)
- Crankt products includes a range of everyday on-the-go protein beverages and snack bars across Australia
- Provides for greater expansion of the Company's expanding Nutritional capabilities



Cereals & Snacks





Category Leader

- #1 within the Health Food Section of retail supermarkets in Australia
- +40% market share growth
- Further innovation in value added cereals and snacks including products developed for on the go channels in food service launched in August 2017

freedom[®]
FOODS

We are one of the
Top 2 Producers of
oat based cereals
and snacks in
Australia





World
FOOD
Innovation
Awards

2018

In association with 

FINALIST

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 kids

FULL OF HIDDEN **GOODNESS** KIDS LOVE THE TASTE BUT
ONLY **MUM KNOWS** IT'S GOT THE **GOOD STUFF** INSIDE

**HIDDEN
GOODNESS**

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

Our Cereal range was awarded a healthy food guide finalist



BARLEY+

Health Care Promotional Program

Participation of professional sportsmen and women validates the importance of the Barley+ 28 Day Reboot

- Rabbitohs members attained their goal weight loss
- Leisel Jones taking on the challenge
- Official Cereal & Bar supplier for the Waratahs & Rabbitohs teams



No.1 CEREAL ON TMALL INTERNATIONAL

- The “Arnold’s Farm” brand is ranked Top 3 oat cereals on Tmall International with the cereal category holding significant growth potential
- No. 2 selling cereal SKU on Tmall during Single’s Day sales
- Boosting Company’s direct sales team in China from 12 to 50 personnel in next 12 months



BRANDED INNOVATION TO LAUNCH IN FY 2018



*24 products launched from
August 2017
+ ~40 new branded products will
be launched from May 2018*



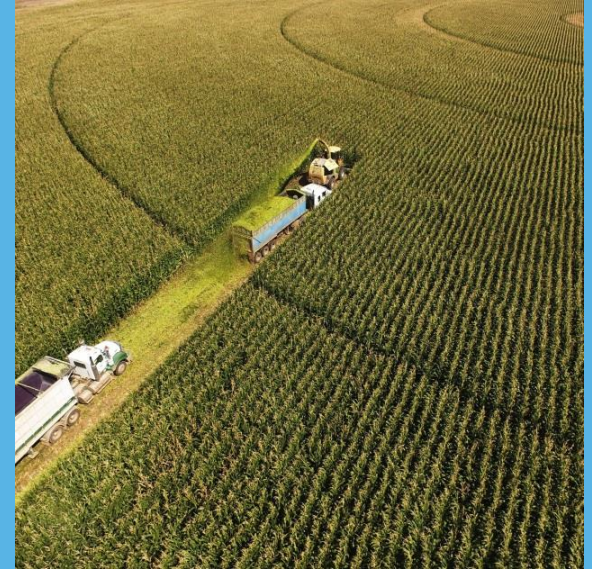
Supply Chain



DAIRY MILK

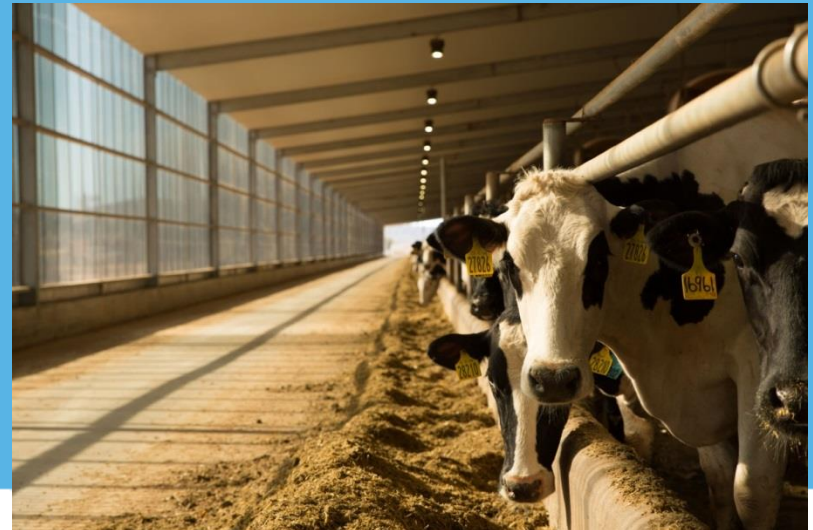
MOXEY FARM

- Moxey Farm is the largest single format dairy milking operation in Australia
- Focus on “best quality” dairy milk
- Undergoing expansion programme to increase capacity from 3,500 to 8,000 milking cows
- Milk production has increased from 50m to 75m litres per annum, achieving 100m litres upon completion of the expansion
- Currently building a network of direct supply farms to complement Moxey farms



DIRECT MILK SUPPLY

- Expansion of “Freedom Farmers” sourcing strategy through direct supply contracts with high quality dairy farmers in NSW and VIC.
- Supports Company growth demands and provides our farmers with stable revenue basis to invest.



A photograph of two men standing outdoors, examining plant samples. The man on the left, wearing a striped shirt and jeans, holds a handful of yellowish plant material. The man on the right, wearing a blue button-down shirt, holds a single, long, thin, light-green plant stem. The background is blurred, showing what appears to be a field or farm setting.

Key Grains Supply

- Utilising key farmer groups to build the Company's specialised grains supply platform → guarantees our strategy of being a high quality integrated paddock to plate provider
- Expanded to include Oat, Barley and Maize requirements providing competitive advantage for the Company over time

CORPORATE & GROUP MANAGEMENT





TALENT & TECH

- Invested in talent and capability in sales and innovation across beverage, cereal and snacks capability as well as operations, finance, legal and compliance
- For our expanding capital projects initiatives, we increased our capability to manage and install our key projects that will provide for ongoing capability at our sites, reducing reliance on 3rd party providers
- Engagement of a People & Culture Manager to help develop our people and talent identification processes to align with the Company's rapidly expanding sales and operational platform
- Further progressed on the transformation of IT / ERP systems. Further investments in technology will be made to ensure we increase efficiency and productivity

OUTLOOK

- The Company is continuing to experience a significant increase in forward demand for its branded products and its capabilities to produce products efficiently for major customers, beyond expectations from that outlined at the FY 2017 results
- This growing demand in dairy, plant and cereal reflects the positive impacts on the Company of structural change within the Australian dairy industry, demand from customers for access to products derived from the Company's expanded operational footprint, and increasing brand penetration providing increased market share in key channels in Australia, SE Asia and China
- Investment in value added dairy nutritional capabilities currently underway provides further growth opportunities beyond the operational and channel developments outlined above
- Our key brands "Freedom Foods" and "Australia's Own" will be at the forefront of driving our returns from our innovation and manufacturing capabilities



OUTLOOK (con't)

Building a Global Food & Beverage Business based in Australia

- Uniquely and strategically well positioned to build into a major global food & beverage business with scale in key food & beverage platforms providing diversification in sales, together with earnings growth from key markets and channels in Australia/ NZ, China, SE Asia and North America
- The Company is experiencing a strong start to the 2018 financial year, with Net Sales Revenues estimated to be in the range of \$360 - \$380 million. Currently, we expect Net Sales Revenue to be at the higher end of this range, with growth upwards of 40% on the previous corresponding year
- 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

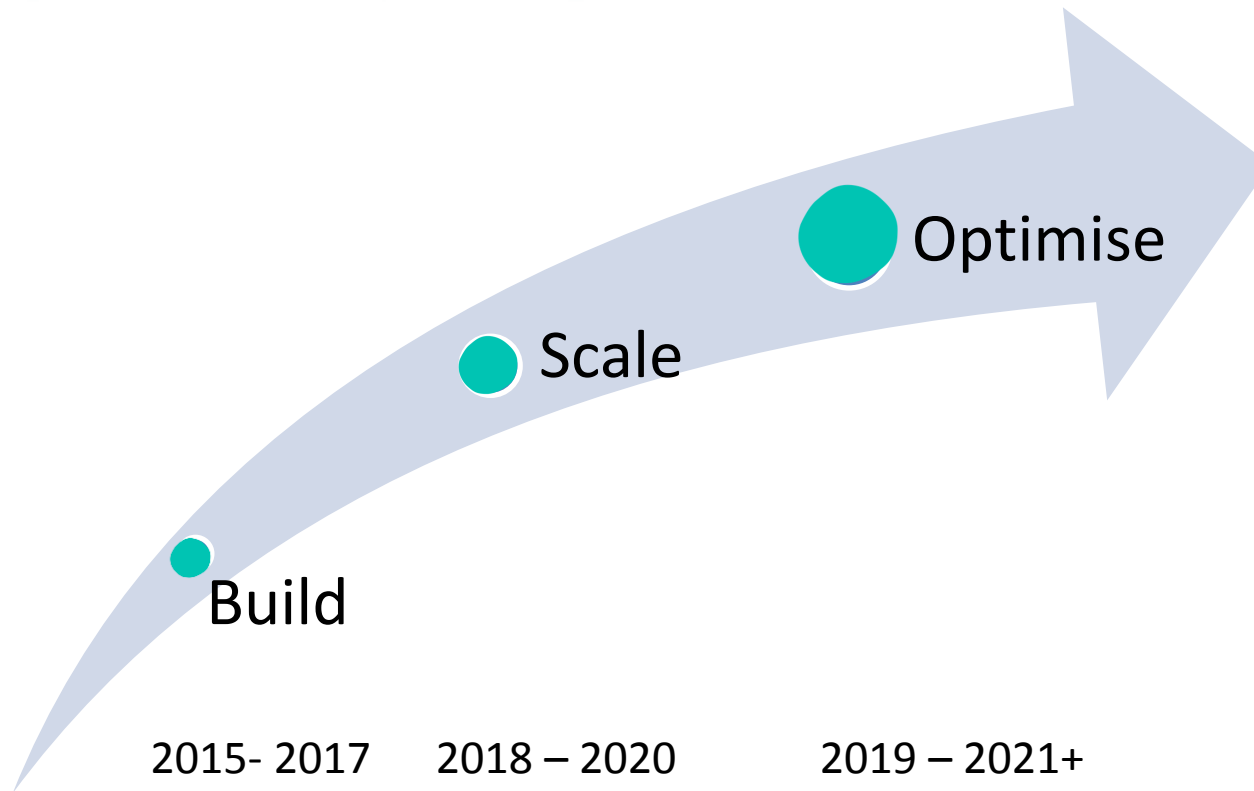


1H18

FINANCIALS



Development Curve



- Harvesting benefits of building capacity in brands, innovation and operational capability
- Building sales through expanded share and development of new markets
- Optimising scale economies

FINANCIAL SUMMARY

6 Months to 31 st December	1H18 \$'000	1H17 \$'000	% Change
Net Sales Revenue	159,563	123,852	+28.8%
EBDITA (Underlying Operating) ⁽¹⁾	16,008	12,500	+ 28.1%
EBDITA (Statutory)	12,896	12,461	+ 3.5%
Equity Associates Share of Profit ⁽²⁾	240	240	-
Pre Tax Profit (Operating)	7,584	7,277	+ 4.2%
Pre Tax Profit (Reported)	4,472	6,744	- 33.7%
Income Tax (Operating)	2,579	1,965	+ 31.3%
Net Profit (Operating)	5,005	5,312	- 5.8%
Net Profit (Reported)	2,951	4,475	- 34%
Interim Ordinary Dividend (cps)	2.25	2.00	+ 12.5%
Interim CRPS Dividend (cps)	1.35	1.35	-
EPS (cents per share) (Fully Diluted for CRPS)	1.61	2.51	- 35.9%
EPS Operating (cents per share) (Fully Diluted)	2.45	4.58	- 46.6%
Net Debt / Equity	42.5%	9.2%	
Net Assets per Share (cents)	160.5	179.3	- 10.5%
Net Tangible Assets per Share (cents)	108.6	143.1	-24.1%

Notes:

- (1) Underlying Operating EBDITA excludes pre-tax abnormal or non-operating charges including an add back of non cash employee share option expense of \$356k. 1H18 other costs not representing underlying performance includes once off unrealised foreign exchange loss of \$780k and restructuring costs of \$4.8m including costs relating to discontinued operations at Taren Point realised in the half.
- (2) Equity Associates is share of NPAT of Australian Fresh Milk Holdings (10% equity interest held by Freedom Foods Group).

FINANCIAL SUMMARY BY BUSINESS UNITS

6 months to 31 st December 2017 (A\$m)	Cereal & Snacks	Plant Based Beverages	Dairy Beverages	Specialty Seafood	Nutritionals	Others	Total
Net Sales Revenue	52.5	36.3	57.4	7.7	5.7	–	159.6
Trading EBDITA	7.3	8.2	4.6	0.9	1.3	–	22.4
Equity Associates ⁽¹⁾						0.2	0.2
Corporate Costs ⁽²⁾						(6.6)	(6.6)
Operating EBDITA	7.3	8.2	4.6	0.9	1.3	(6.4)	16.0
Net Sales Change (YOY %)	+19.2%	+23.0%	+30.9%	+18.9%	+100.0%		+28.8%
Net Sales Change (YOY \$m)	+8.5	+6.8	+13.5	+1.2	+5.7		+35.7
Trading EBDITA Change (YOY %)	+24.7%	+26.5%	+38.0%	+12.3%	+100.0%		+35.2%
Trading EBDITA Change (YOY \$m)	+1.4	+1.7	+1.3	+0.1	+1.3		+5.8
Trading EBDITA Margin (%)	13.9%	22.7%	8.1%	12.0%	22.5%		14.0%
Trading EBDITA Margin Prior Year (%)	13.3%	22.1%	7.7%	12.7%	n/a		13.4%

Notes:

(1) Equity Associates is share of NPAT of Australian Fresh Milk Holding (10% equity interest held by Freedom Foods Group).

(2) Corporate costs exclude non cash employee share option expenses of \$356k.

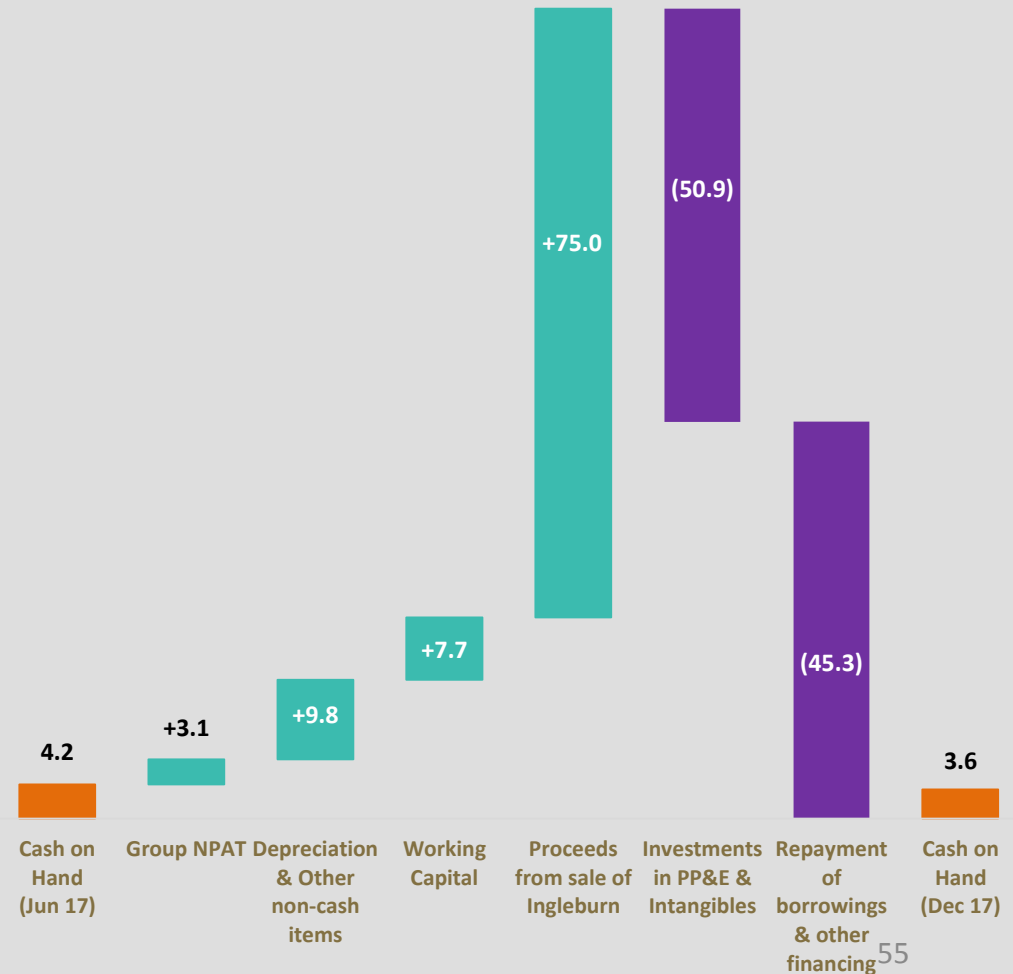
FUNDS EMPLOYED

<i>For the period ending...</i>	31 December 2017 (\$'000)	30 June 2017 (\$'000)	<i>Change</i>
Inventory	68,143	63,388	+ 4,755
Trade & Other Receivables	49,071	65,920	- 16,849
Trade & Other Creditors	(71,346)	(65,629)	- 5,717
Working Capital	45,868	63,679	- 17,811
PP&E	307,794	340,356	- 32,562
Investments	8,734	7,594	+ 1,140
Intangible Assets	104,726	102,611	+ 2,115
Others Assets	3,635	2,735	+ 900
Total Fixed Assets	424,889	453,296	- 28,407
Total Funds Employed	470,757	516,975	- 46,218
Net Equity	323,628	321,436	+ 2,192
Total Borrowings	141,234	185,158	- 43,924
Total Cash	(3,573)	(4,184)	+ 611
Net Debt	137,661	180,974	- 43,313
<i>ND / Equity</i>	42.5%	56.3%	- 13.8%

Cash & Liquidity *(as at 31 December 2017)*

- The Company held Cash of \$3.6m, with Borrowings of \$141m (comprising term facilities, equipment finance leases and working capital facilities). Net debt was \$138m, with a net debt to equity of 42.5%
- Cash flow from operations was \$27m, an increase from \$9.1m from the previous corresponding period. A once-off working capital benefit of \$24.1m from the Company selling the receivables of its major grocery retail customers to the bank under a limited recourse debtors finance facility. The assets were de-recognised off balance sheet as the risk was transferred to the bank
- Total capital investment of \$43.8m relating to capex on plant and equipment at Ingleburn, Shepparton, Leeton and Dandenong
- Proceeds for the sale of Ingleburn of \$75m used to fund continued investment in capital works cross the business and repayment of borrowings

Group Cash Movement: 1H18 (A\$ million)



CASH FLOW

<i>6 Months to 31st December</i>	1H18 <i>(\$'000)</i>	1H17 <i>(\$'000)</i>
Cash from Operating Activities	27,024	9,099
Payments for Restructuring	(1,182)	-
Net Interest Paid	(2,276)	(2,539)
Income Taxes Paid	(3,613)	-
Total Cash from Operating Activities	19,953	6,560
Capex on PP&E	(50,900)	(58,190)
Proceeds from Disposal of Assets	74,966	-
Net Cash used in Investing Activities	24,066	(58,190)
Net Proceeds from Equity Issuance	135	62,667
Dividends Paid	(1,409)	(1,038)
Proceeds / (Repayment) of Borrowings	(43,975)	1,319
Other Payments	641	(966)
Net Cash from Financing Activities	(44,630)	60,446
Net Increase / (Decrease) in Cash	(611)	8,816
Ending Cash Balance	3,573	72,724

