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Company Announcements Office
ASX Limited
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Freedom Foods Group Limited (ASX: FNP)
Shepparton Expansion of Dairy Processing Capacity to 500 million Litres

Freedom Foods Group Limited (**FNP** or the **Company** or the **Group**) today announced the first significant capital expenditure initiative since its recent \$200 million capital raising.

The Company confirms its intention to proceed with a significant capacity upgrade to its Shepparton dairy facility for an approximate \$29 million investment. The upgrade of its dairy processing capabilities at Shepparton will increase total dairy milk processing capacity to 500 million litres per annum, from the current processing capability of approximately 300 million litres per annum.

This near doubling of processing capacity will align and support growth in UHT filling capability, including incremental filling capacity at Shepparton to come online from July 2019, increasing total filling capacity above 300 million litres to meet demand in domestic and export markets including South East Asia, China and the Middle East. The expanded processing capability will provide flexibility to increase UHT filling capacity as market demand increases.

Importantly, the expanded processing capability will provide increased flexibility to meet increasing demand for other value-added products streams including functional and medical grade dairy-based beverages, drinking yoghurt and cream (packaged pouring and whipping cream) based on standardised milk formats to be packaged at the Company's Shepparton and Ingleburn UHT sites. The additional capacity will be made available to support other customer requirements for standardised milk derivatives streams.

The Company is expanding UHT filling capability at the Ingleburn site, including a recent capacity upgrade for 2 litre UHT format and installation underway for yoghurt applications and UHT bottle format. These capabilities will use standardised milk formats from Shepparton.

"This is an exciting time for the Australian dairy industry. Freedom is undertaking this significant expansion because it is determined to capture the opportunities that have arisen to build its position in key markets while sharing the benefits with farmers who are central to our success," said Freedom Managing Director and CEO Rory Macleod.

The planned capital expenditure will include upgrades to site services, raw milk, cream receipt and storage, standardising and processing equipment installations. The Company expects the total 500 million litres of processing capability to be on stream from July 2019, with increased processing capability available in stages over the next 12 months.

The ability to process increased dairy milk flows will provide important component streams for the Company's specialised nutritionals platform. The Company is well progressed on the first stage of a specialised nutritionals platform aligned to the dairy UHT operations that will provide for protein standardisation and the ability to manufacture industrial grade pure protein components for use in our branded products and for sale to key strategic customers. The ability to add value to our existing nutrition brands and expand further across the nutritional products spectrum is a key part of the Company's strategy and will materially contribute to sales and earnings in the medium term.



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The first stage commissioning of the nutritional platform is due to commence from September 2018. The Company is well advanced in plans to install additional drying capacity from 2019 to support the increased dairy milk processing capabilities.

The Company expects in the medium term to support the increase in dairy milk capacity through an expansion of its direct supply relationships with dairy farmers, including sourcing additional supply from the expansion of farm capacity within existing farmer relationships, including through the Company's 10% equity associate entity AFMH (owner of the Moxey Farm dairy operation).

As indicated, the Company will fund the planned expansion through utilisation of funds from its recent \$200 million capital raising.

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