

11th May 2018

Company Announcements Office
ASX Limited
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Freedom Foods Group Limited (ASX: FNP)
Completion of 10% Investment into Shenzhen JiaLiLe Food Co. Ltd (JLL or AO China)

Freedom Foods Group Limited (**FNP**, **Freedom Foods** or the **Company** or the **Group**) today announced that it has completed its investment into Shenzhen JiaLiLe Food Co. Ltd (**JLL**) to be operated as Australia's Own Dairy Company China (**AO China**).

The Company has subscribed for an initial 10% investment in AO China for a consideration of RMB22 million (approximately AUD\$4.5 million at current exchange rates). Freedom Foods retains an option to subscribe for up to 30% of AO China within 3 years from the date of the initial subscription.

The new structure is the first major overseas investment for Freedom Foods into an existing company, providing a stronger strategic link between the existing local managed brand operations in China (sales, marketing, and distribution) and brand production in Australia (R&D, sourcing, processing, and manufacturing). The structure follows similar models established for successful cooperation between Chinese operations and Western companies.

The Company commenced production of "Australia's Own" branded "Kid's Milk" to support its launch in China in February 2015 under a long-term brand licensing arrangement with our Chinese partner JLL.

With significant ongoing marketing investment including point of sale promotion, sampling and sponsorship of leading national children's TV programmes, the 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 brand is well established in key cities and provinces in China including Hunan, Hubei, Zhejiang, Jiangsu and Guangdong. The business continues to build distribution and expand into provinces in Northern China.

The AO China business has continued to grow strongly since its inception, with sales in calendar 2018 estimated to be upwards of RMB300 million (AUD\$60 million). The business has invested significantly in sales and marketing and is expected to be at a break-even profit at the end of calendar 2018.

AO China will continue to grow Australia's Own branded Kid's Milk products in China, as well launch other dairy products later in 2018, including a value-added milk product and ambient drinking yoghurt.

Freedom Foods and AO China will work together to utilise sales and merchandising resources to cross promote their product portfolios, including utilising common distributor relationships in key cities and provinces. The Companies will also jointly operate ecommerce cross border sales platforms to sell Australia's Own branded dairy including A2 protein milk variants and infant formula branded products.



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The AO Kid's Milk product is utilising milk sourced from the Company's AFMH (Moxey Farm) operation.

Following the recent installation of high speed portion pack capacity at Freedom Foods's Shepparton site, the Company is well placed to increase output to meet ongoing demand, with total packs output of approximately 60 million in calendar year 2018.

The Company expects the manufacture of AO Kid's Milk product and new product formats to be a significant contributor over the medium term to growth and profitability.

The Company does not intend to recognise in its annual reporting, an equity share of profit or loss contribution at the current 10% shareholding level. This policy may change in the event that the Company exercised its option to subscribe for up to 30% of AO China within 3 years from the date of the initial subscription.

For further information, please contact:

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AO Kid's Milk in Distribution in China



