

Freedom Foods Group Limited

Presentation to Morgan's Conference
October 2016



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Introduction



Our Mission Statement



A stamp of quality to go on all the company owned products. Freedom Foods stands for the healthy alternative to mainstream retail brands.

Freedom Foods Makes Food Better

- From paddock to plate
- With investment in better technology Food & Technical
 - Innovation targeting better for you & great taste
 - Less ingredients, cleaner products, allergen free
 - On trend: Low salt, low sugar, whole grains & Fresher

Our Company

Strategically well positioned to build scale in key food & beverage platforms with long term sales and earnings growth from Australia and other key international markets

Category Platforms

Plant Based Beverages
Dairy (Beverages & Nutritionals)
Specialty Cereal and Snacks

Markets

Australia
China, South East Asia
North America

Category Brands

Freedom Foods
Australia's Own

A Truly Unique Capability Targeting Diverse Categories



Making Food Better

Ingredients

FREEDOM FARMERS (paddock to plate)
Long term partnerships that secure supply and ensure quality

Product Categories

Dairy
(Milk, Evap, Cream & Flavoured)

Non-Dairy
(Stock, Nut & Flavoured Drinks)

Cereal
(Allergen Free & Nut, Cluster & Flakes)

Snacking
(Muesli Bars, Paste Bars, Extruded & Bites)

Manufacturing Sites

Shepparton
(1L, 330ml, 250ml, 200ml Aseptic UHT)

Taren Point
(1L, 330ml, 250ml, 200ml Aseptic UHT)

Darlington Point Mill
(Oats, Gluten Free Grains, Flour, Maize & Popping Corn)

Leeton
(Only Allergen Free Cereal & Bar facility Aust)

Dandenong
(Expert Oat Cluster & Bar manufacturer)

People & Delivery

World class R+D, Operations, Sales & Marketing teams to deliver products for Freedom Brands & Co-Manufacture brands here in Australia and exported around the world

Plant based Beverages Business Group



Branded Portfolio

Remains the Largest Supplier of Almond Milk Beverages via Australia's Own, Blue Diamond and Private Labels



Branded Portfolio

Building New Channels Through Innovation in Coffee Milk Application

→ Strong Brand Recognition and Sales Achieved within this Higher Margin Channel

THE **WORLD'S FIRST** MILK BRAND ESPECIALLY DESIGNED FOR USE WITH **ESPRESSO** BASED COFFEE



Branded Portfolio

Building New Channels Through Innovation in Petrol & Convenience



Non Branded Portfolio

Expansion of Packaging Capability to drive Innovation



New UHT Facility at Ingleburn, South West Sydney

Largest Investor in UHT Technology and Capacity in Australia



Dairy Business Group (Beverages and Nutritionals)



Australia's Own for China

Continued Strong Growth Trajectory into 2016 making it the Largest Imported Kid's Milk Brand in China



So Natural and Vitalife

Company Brands Building Through Online Channels into China



Shepparton UHT Operations

Largest supplier of contract packed milk brands to China → Recognition of PDG as a Supplier of Choice in UHT Dairy

Long Term Supply Agreement with Local Retailers

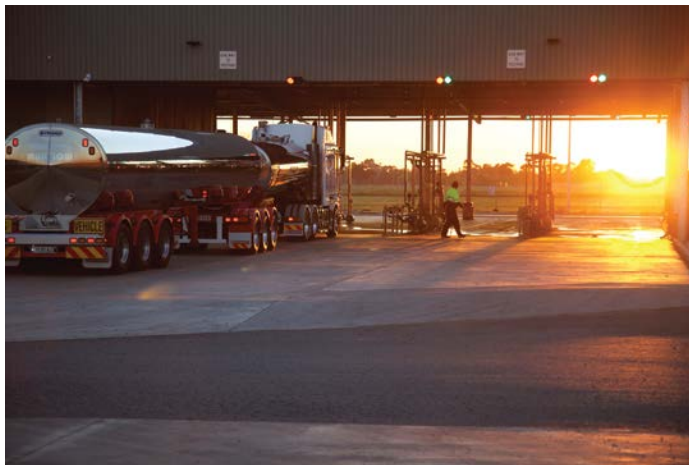


Established Key Relationships with Major Dairy Manufacturers and Brand Owners in China and SEA



New Capacity at Shepparton

Largest Investor in UHT Technology and Capacity in Australia



Australia's Own Infant Formula



Australian Owned & Made

AUSTRALIA'S OWN DIAMOND TODDLER MILK FORMULA

Our Most Advanced and Scientifically Formulated Toddler Milk Formula

STEP 1
Australia's Own Diamond Toddler Milk Drink is a unique combination of Australian sourced Cow's Milk. With the added benefits of a pre-biotic which can assist the digestive system as well as a probiotic which can assist the development of the immune system. It is a truly unique Australian Made formulation. With additional levels of Omega 3 and 6 that can support the healthy development of eyes and brains, this Australia's Own Diamond formulation is simply THE BEST!

Dr. Joanne Heffernan

STEP 2
Australia's Own Diamond Toddler Milk Drink is a unique combination of Australian sourced Cow's Milk, Omega 3 & 6, Vitamin A, B2, B12 and other nutrients.

STEP 3
With the combination of an advanced nutritional complex using Australian Cow's Milk, Australia's Own Diamond Toddler Milk formula is the BEST from Australia's Own.

freedom

New Diamond Toddler Milk Drink from Australia's Own

[BUY ONLINE NOW](#)

From Australia's Own farms to your home

With the expert combination of scientifically formulated nutritional ingredients combined with an Australian cow's milk source, Australia's Own Toddler Milk Drink is a NEW nutritious drink for your little Australian.

[BUY ONLINE NOW](#)

New Gold Toddler Milk Drink from Australia's Own

[BUY ONLINE NOW](#)

school readiness

It's time for big school and here's what you can do to prepare your child for school. First priority of focus is all about the child's social skills and confidence.

- Preparing for school
- When should my child start school?
- The big school decision: To send or not to send?

starting preschool: the correct advice from the mums and dads who've got you right

- without galleries
- support to be available
- with social capital
- engagement panel.

Get ready for Halloween with our tips, tricks and ideas

gallery

Australia's Own Infant Formula Video

<http://australiasownfoods.com.au/home/>

Value Added Supply Chain – Dairy Milk

Collectively the combined Moxey Farm and Perich Group's Leppington Pastoral Company dairy milk production is the largest dairy milking operation in Australia



Since acquisition, Moxey has expanded from 3,700 milking cows (~50m litres) to 5,000 milking cows (~75m litres of milk p.a. largely from a2 cows) as part of a \$40m expansion (new state-of-the-art rotary processing dairy, cow barns, effluent management, expansion of land holdings including water and irrigation capabilities)



Cereal & Snacks Business Group



Strategic Platform Established

The Cereal, Snack and Milling business is now strategically positioned to build a significant growth platform in multiple products, channels and distribution



Allergen Free Cereal & Snacks
Leeton Manufacturing Facility

Oat based Cereal & Snacks
Dandenong Manufacturing Facility

Darlington Point Milling Facility

Branded Portfolio – Australia

Number 1 Health Food Cereal Brand with +40% Market Share and Growing



Branded Portfolio – Australia



Branded Portfolio – Australia

The Freedom Foods business is seen as a Core Category Leader in the Health Food Section



Branded Portfolio – China

“Arnold’s Farm” brand was the No. 1 Cereal Product on Tmall International during the promotional period and one of the Top 3 selling products in Tmall

口碑推荐 你身边的膳食营养专家!
Arnold's Farm

累计销售超22万袋

水果堆里找麦片

澳洲金黄小燕麦

ps:全额退税活动不与税值优惠券同时享用

麦鲜森 AUSTRALIA 澳洲麦田直供

freechola
roasted muesli
apple, hazelnut & almond

新鲜 甄选当季新鲜澳洲金黄小燕麦 澳洲生态农场种植，鲜不可挡
From Australia's top quality wheat farms, Australia's freshest ingredients and no preservatives.

品质 澳洲原装进口麦片 从农场直送到餐桌，品质品质保证
Australia Imported Cereals
Direct from the farm to your table give you the quality assurance

美味 酥软清香，回味无穷。
一款能吃到麦田气息的麦片。
Crisp, fragrant, and a pleasure to eat in all climates.
A cereal that can eat without pills.

享受美味!

吸天地之灵气·集大地之精华
Absorbing the essence of heaven and earth. Aura greatly

精品纯燕

freedom
porridge
READY IN 90

燕麦百变 营养均衡还可这样吃

<p>椰奶麦片</p> <p>椰奶是理想的滋补品，与燕麦结合更能碰撞出美味的火花。</p>	<p>红枣燕麦粥</p> <p>燕麦粥放入沸水（椰奶）中小火熬煮燕麦时，加上喜欢的食材增添美味！</p>	<p>红糖燕麦饼干</p> <p>喜欢烘焙的用它来烤成饼干，做成面包，山仔下锅煎成超软的甜品。</p>	<p>黄金山药燕麦片</p> <p>放进烤箱烤的酥脆，或拌点鸡蛋，山仔下锅煎成超软的甜品。</p>
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Building Brand Exposure

freedom
FOODS

HEALTHY *tastes* BETTER

Jen Hawkins has signed as Freedom Foods Brand Ambassador for the next 3 years.

freedom
ancient grains

freedom
muesli

freedom
ACTIVE BALANCE

freedom
XO Crunch

freedom
GLUTEN FREE
CRAFTED BLENDS CLUSTERS

MADE & OWNED

Discover us in the health food aisle.

The advertisement features a woman, Jen Hawkins, wearing a wide-brimmed hat and a red and black plaid shirt, standing in a lush green field at sunset. In front of her is a wooden table displaying several Freedom Foods cereal products: 'ancient grains', 'muesli', 'ACTIVE BALANCE', 'XO Crunch', and 'CRAFTED BLENDS CLUSTERS'. A small map of Australia is also visible on the table. The Freedom Foods logo is at the top, and the slogan 'HEALTHY tastes BETTER' is prominently displayed. Text on the left announces Jen Hawkins as the brand ambassador. The bottom of the ad includes the tagline 'Discover us in the health food aisle.'

Freedom Foods Jen Hawkins Video

<http://massets.bonzai.mobi/heywatch/b5c9604b-9db2-4211-906f-f7fc5b8f0c20/webm/360p/b5c9604b-9db2-4211-906f-f7fc5b8f0c20.webm>

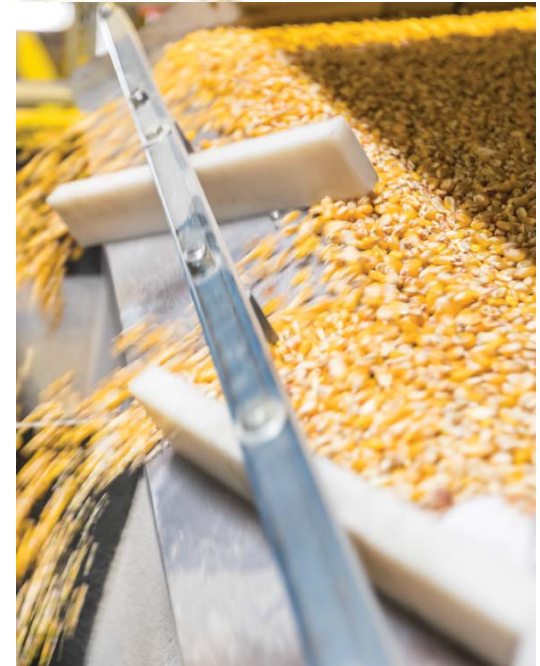
Branded Portfolio – North America

Top 10 Cereal Brand in Specialty and Natural Channels in USA



Darlington Point Mill (DP Mill)

Largest supplier of popping corn in Australia with over 40% share

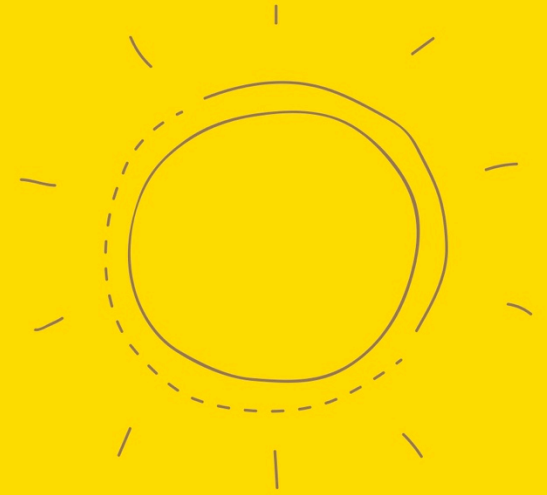


Freedom Farmers

Aiming to be a fully integrated paddock to plate provider to ensure full quality control of our supply chain



Specialty Foods Business Group



Specialty Foods

Brunswick Sardines Maintained its No. 1 Brand Leadership Position in Australia and NZ



Innovation is our Passion



A dynamic and on trend Innovation Platform



More to come in 2017

Outlook

“Australia’s Own” and “Freedom Foods” brands will increasingly be at the forefront of driving our returns from our innovation and manufacturing capabilities

- We believe the ability to control manufacturing inputs and our commitment to deliver innovation across a range of formats for our brands and our key customers will be a key strategic advantage in the medium to long term, particularly in value adding Australia’s unique agricultural base
- We continue to invest to achieve this outcome which will drive scale and generate profitability:
 - Expansion at Ingleburn → meet increasing demands for plant-based beverages
 - 50% shareholding in PDG → absorb growing Asian demand for Australian dairy products
 - Expansion into Dairy Nutritionals → build a more integrated dairy processing platform
 - Capital investment at Leeton, Dandenong and DP Mill → deliver manufacturing efficiencies
 - Continue to evaluate acquisitions that add value to and significantly accelerate and or leverage our sales, marketing and operational platforms
- Our operating profits will increase through the investment cycle, balanced against a requirement to invest in people, systems and process to manage a scaled and diversified business platform
- Overall the Company anticipates the ongoing benefits of the strategy and its multi stage capital investment programme to accelerate increased group profits and returns during 2017 and beyond



Summary FY 2016 Financials



Operating EBITDA (Underlying vs Statutory)

12 Months to 30 th June 2016 (A\$ million)	2016	2015
Underlying Operating EBDITA before significant items	23.0	16.4
<i>Significant Items expensed to profit:</i>		
Market price and exchange rate impact on purchases of Almond inputs	1.5	1.2
Underlying Operating EBDITA⁽¹⁾	21.5	15.2
Other Costs not representing underlying performance ⁽²⁾	(2.2)	(2.8)
Employee Share Option Expense (non cash)	(0.4)	(0.4)
Statutory EBDITA⁽¹⁾⁽³⁾	18.9	12.1

- 1) Operating EBDITA 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) Other costs in FY 2015 comprised once off marketing costs associated with product launch and costs associated with the commissioning of the new nutritional snack equipment reducing manufacturing recoveries and gross margin during the period
- 3) Statutory EBDITA excludes gains from a2MC and Fair Value as well as Popina Foods and Darlington Point Mill Acquisition Costs

- Operating EBDITA of \$21.5 million (41% increase) reflecting:
 - Increased contribution from Cereal and Snacks operations;
 - Part year contribution from the acquisitions of Popina Foods and DP Mill;
 - Consolidation of the PDG Shepparton operation from 1 Jan 2016;
 - Partially offset by a decrease in contribution from Specialty Seafood;
 - Expensing of ~\$1.5m of increased USA and Australian sourced Almond input costs (reflecting adverse market price movements and exchange rate)
 - Marginal decrease in loss in North America.

FY 2016 Results Overview (cont'd)

- Significant progress in our investment in building world class manufacturing capabilities, people, new product development, quality and systems, including construction of a new UHT processing facility at Ingleburn in Sydney, to drive material ongoing earnings benefits over the medium term
- Consolidation of Dairy operations at Shepparton (PDG) from 1 Jan 2016, reflecting an expected increase in sales and earnings contribution to the Company in the medium term. The Shepparton operations achieved sales for 6 months, since consolidation of \$37 million, reflecting new contracts and increasing demand in Australia, China and SEA
- As part of our long term dairy milk supply strategy, we became a 10% shareholder in Australian Fresh Milk Holdings (AFMH), with the acquisition of Moxey Farms, Australia's largest single-site dairy operation, in July 2015. The business is profitable and made a contribution to earnings in the full year
- Successful capital raising initiatives including an entitlements issue and placement in November 2015 to existing and new shareholders raising \$65 million, and the sale of the Company's investment in a2MC to provide for reinvestment into core operating businesses, generating cash of \$90 million and a net profit of \$25 million. Total net profit over the last 4 years from the realisation of our investment in a2MC has been over \$85 million before tax
- At 30 June 2016, the Company had cash on hand of \$63.9 million



Financial Summary

12 Months to 30 th June 2016	2016 \$'000	2015 \$'000	% Change
Net Sales Revenue	170,444	91,460	86.4%
EBDITA (Underlying Operating before Significant Items)	23,026	16,420	40.2%
EBDITA (Underlying Operating)	21,526	15,237	41.3%
EBDITA (Statutory)	18,926	12,086	56.6%
EBITA (Operating) ⁽²⁾	15,087	9,092	65.9%
Equity Associates Share of Profit ⁽³⁾	372	(42)	-
Pre Tax Profit (Operating) ⁽⁴⁾	13,691	9,240	48.2%
Pre Tax Profit (Reported)	57,114	61,980	(7.9%)
Income Tax (Operating) ⁽⁴⁾	2,873	5,349	(46.3%)
Net Profit (Operating) ⁽⁴⁾	10,818	4,970	117.7%
Net Profit (Reported) ⁽⁴⁾	50,631	56,631	(10.6%)
Final Ordinary Dividend (cps)	2.25	1.50	50.0%
Final CRPS Dividend (cps)	1.35	1.35	-
EPS (cents per share) (Fully Diluted for CRPS)	28.54	36.29	(20.7%)
EPS Operating (cents per share) (Fully Diluted)	6.06	3.17	93.0%
Net Debt / Equity	14%	27%	-
Net Assets per Share (cents)	158	120	31.7%
Net Tangible Assets per Share (cents)	119.75	106.35	12.6%

Notes:

- (1) Operating EBDITA and EBITA excludes pre-tax abnormal or non-operating charges and gains with an add back of non cash employee share option expense of \$448k, elimination of the gain due to the disposal of a2MC investment and the share of profit from associates.
- (2) Equity Associates is share of NPAT of Australian Fresh Milk Holdings (10% equity interest held by Freedom Foods Group) and 1% of PDG Equity accounted NPAT for period 1st July 2015 to 31 Dec 2015.
- (3) Operating Pre Tax Profit and Net Profit does not include the gain due to the sale of a2MC investment and the net share of profits from associate.

Financial Summary by Business Units

Year ended 30 th June 2016 (A\$m)	Freedom Foods	Pactum Taren Point	Pactum Dairy Group ⁽²⁾	Specialty Seafood	Freedom Foods NA	Other	Total
Net Sales Revenue⁽¹⁾	86.7	56.0	36.6	12.4	1.9	(23.2)	170.4
Operating EBDITA	10.6	11.3	2.0	2.0	(0.9)	-	25.1
Investment and Other Income ⁽³⁾	-	-	0.2	-	-	0.4	0.6
Equity Associates ⁽⁴⁾	-	-	-	-	-	0.4	0.4
Corporate Costs ⁽⁵⁾	-	-	-	-	-	(4.5)	(4.5)
Group Operating EBDITA	10.6	11.3	2.2	2.0	(0.9)	(3.7)	21.5
Net Sales Change (YOY %)	+80.0%	+15.2%	NA	-3.1%	+21.0%	-	-
Net Sales Change (YOY \$m)	38.5	7.4	36.6	(0.4)	0.3	-	-
Operating EBDITA Change (YOY %)	+217.4%	+8.6%	NA	-20.1%	+5.1%	-	-
Operating EBDITA Change (YOY \$m)	7.3	0.9	2.0	(0.5)	0.05	-	-
Operating EBDITA Margin (%)	12.3%	20.2%	5.5%	16.3%	NA	-	14.7%
Operating EBDITA Margin Prior Year (%)	7.0%	21.4%	NA	19.8%	NA	-	-

Notes:

- (1) Net Sales Revenue Total is after intercompany elimination of sales (Pactum Taren Point to Freedom Foods \$20.6m and Freedom Foods to Pactum Taren Point \$2.5m)
- (2) PDG Consolidated contribution was for 6 months from 1st January to 30th June 2016. PDG Operating EBDITA includes impact of consolidation adjustments and may differ from reported entity statutory reporting.
- (3) Investment and Other Income is income from PDG convertible notes up to 31st December 2015 and Group related grant income related to EMDG.
- (4) Equity Associates is share of NPAT of Australian Fresh Milk Holdings (10% equity interest held by Freedom Foods Group) and 1% of PDG Equity accounted NPAT for period 1st July 2015 to 31st December 2015.
- (5) Corporate Costs excludes non cash employee share option expense of \$448k.



Cash Flow

12 Months to 30 th June 2016	2016 (\$'000)	2015 (\$'000)	% Change
Cash from Operating Activities	13,355	8,307	60.8%
Net Interest Paid	(4,987)	(1,310)	
Income Tax Paid	(2,675)	(960)	
Total Cash from Operating Activities	5,693	6,037	(5.6%)
Capex on PP&E	(63,103)	(49,625)	
Net Advances to Associates	(71)	(2,758)	
Purchase of Shares in Associates	-	(529)	
Proceeds from Sale of Associates	90,229	107	
Repayment of Loan by Associates	100	1,200	
Investment in Equity Interest	(5,760)	-	
Business Acquisitions	(39,423)	-	
Net Cash used in Investing Activities	(18,028)	(51,605)	(65.1%)
Net Proceeds from Equity Issuance	66,800	1,264	
Payment of Share Issue Costs	(1,685)	(77)	
Dividends Paid	(1,256)	(1,155)	
Proceeds (Repayment) of Bank Financing	10,362	43,088	
Other Payments	(307)	(96)	
Net Cash from Financing Activities	73,914	43,024	71.8%

- **Cashflow from Operating Activities:** 61% increase impacted by improved working capital mix
- **Net Interest Paid:** Increased reflecting higher financing facilities relating to working capital and capex
- **Income Tax Paid:** Reflects company moving into tax paying after extinguishment of losses
- **Capex:** Capex on plant & equipment, land
- **Finance Facilities:** Increased debt facilities re working capital, capital expenditure and land acquisitions

Funds Employed

12 Months to 30 th June 2016	2016 (\$'000)	2015 (\$'000)	Change
Inventory	46,213	24,475	21,738
Trade & Other Creditors	(49,577)	(18,779)	(30,798)
Net Investment in Inventory	(3,364)	5,696	(9,060)
Trade & Other Receivables	45,661	25,303	20,358
Working Capital	42,297	30,999	11,298
PP&E	224,351	103,430	120,921
Investments (a2MC & Others)	6,163	77,050	(70,887)
Intangible Assets	70,435	21,488	48,947
Others Assets	7,407	16,930	(9,523)
Total Fixed Assets	308,356	218,898	89,458
Total Funds Employed	350,653	249,897	100,756
Other Creditors & Provisions	(22,913)	(13,382)	(9,531)
Net Funds Employed	327,740	236,515	91,225
Net Financing	(39,922)	(50,586)	10,664
Net Equity	287,818	185,929	101,889
ND / Equity	13.9%	27.2%	

- **Inventory:** Increase relating to working capital for snack bar and higher componentry for non-dairy products
- **Receivables:** Reflecting increased sales turnover
- **Fixed Assets & Investments:** Gain on sale of a2MC shares and capex on plant & equipment, consolidation of PDG
- **Other Creditors:** Increase tax provision re operating profits and a2MC mark-to-market
- **Finance Facilities:** Increased debt facilities re working capital, capex and acquisitions