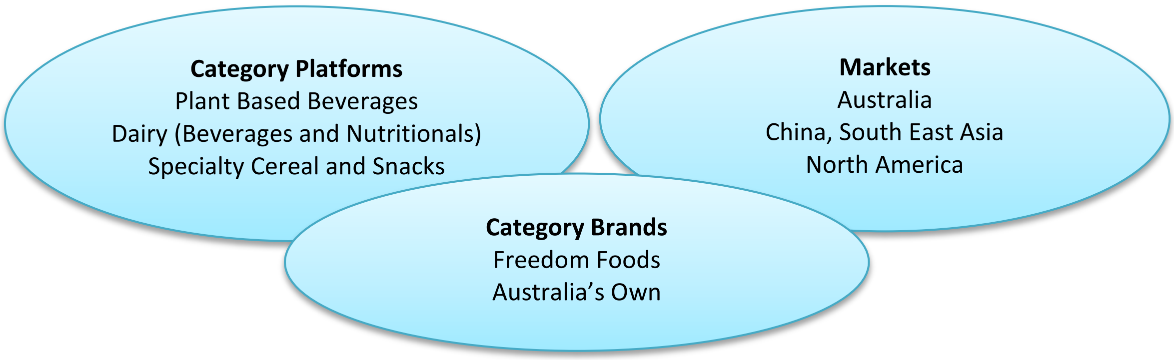
31st August 2016

Freedom Foods Group Limited (ASX: FNP)
Full Year FY 2016 Financial Results

Freedom Foods Group Limited (FNP or Company) has today released the Company's Audited Full Year Results for the financial year ended 30th June 2016.

Operating Highlights

- A Company strategically well positioned to build scale in key food and beverage platforms with sales and earnings growth over the long term from Australia, China and other key international markets.



- Acquisitions totalling approximately $43.5 million comprising of the purchase of the Darlington Point Mill in September 2015 for $8.5 million and Popina Foods, a recognised leader in cluster format cereal and snacks in Australasia, in December 2015 for $35 million.

- A successful year investing in the Company's capabilities to deliver profitable growth consistent with its medium term plan, with net sales growth of 86%, reflecting:
    - Sales growth across all key category platforms in Australia, China and North America;
    - Strong growth in new value added Cereal and Bars, plant based beverages, including branded and non-branded sales in the growing Almond and value added plant milk categories;
    - Acceleration of growth in sales of Australia's Own Kid's Milk in China in partnership with Shenzhen JLL, with the brand now the leading imported Kid's Milk brand in China;
    - Sales contribution from Darlington Point Mill and Popina Foods (now Freedom Foods Group Dandenong); and
    - Consolidation of PDG Shepparton operations from 1 January 2016.

- Operating EBDITA of $21.5 million, an increase of 41% on the previous corresponding period, including increased contribution from Cereal and Snacks operations, a part year contribution from the two acquisitions, consolidation of the PDG Shepparton operation from 1 January 2016, offset by a decrease in contribution from Specialty Seafood and marginal decrease in loss in North America.

- 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 (Pactum Dairy Group or PDG) from 1 January 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 South East Asia.

- As part of our long term dairy milk supply strategy, the Company became a 10% shareholder in Australian Fresh Milk Holdings consortium (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 The a2 Milk Company (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

The statutory net profit of $50.6 million, reflected a pre-tax gain of $24.5 million, arising from the sale of the investment in a2MC and a fair value gain of $22.4 million on conversion of options in PDG. This profit also reflected one-off costs relating to expensing of transaction costs of $1.2 million relating to the Darlington Point Mill and Popina Foods acquisitions. The Company also expensed non operating amounts relating to costs of incomplete transactions and insurance claims that are not expected to be recovered.

The Company reported an operating net profit of $10.8 million, an increase of 118% from the prior corresponding period.

The Company achieved an underlying Operating EBDITA of $21.5 million, 41% above the previous corresponding period. The underlying Operating EBDITA and statutory result was also impacted by the expensing of an estimated $1.5 million of increased USA and Australian sourced Almond input costs (reflecting adverse market price movements and exchange rate), as compared to the previous corresponding period. While domestic Almond pricing reduced later in the 2nd half, the Company continued to have an exposure to USD purchasing of Almond paste and requirements for Organic Almond flour for which pricing still remains high.

Each of the business units achieved increased sales growth, with the exception of Specialty Seafood, which was impacted by a shortage in Sardines supply in the 2nd half.

The Cereal and Snacks operations delivered an increased operating earnings result, including a contribution from the acquisition of the Darlington Point Mill and Popina Foods businesses consistent with expectations.

Plant Based beverage operations at Taren Point delivered increased sales, with operating contribution slightly ahead of the prior year period. The Taren Point facility is at capacity with increased cost of maintaining operations impacting earnings. The new facility at Ingleburn to replace Taren Point will materially reduce the cost of ongoing operations.

The Dairy operations at Shepparton, which were consolidated for the first time from 1 January 2016, achieved sales growth in 2nd half of FY 2016, reflecting new contracts and increasing demand in Australia, China and South East Asia. The operation reported its first positive operating earnings contribution since commencing in 2014, reflecting increased sales and factory utilisation during the period.

Specialty Seafood's revenue and operating earnings declined, reflecting impact of Sardine shortage and exchange rate impact on cost of goods sold.

Set out below is a reconciliation of statutory EBDITA to underlying Operating EBDITA before significant items.

12 Months to 30th June (A$ Million)	2016	2015
Underlying Operating EBDITA before significant items	**23.0**	**16.4**
Significant Items expensed to profit:		
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 costs of incomplete transactions, prior year insurance claims not expected to be recovered (2)	**-2.2**	**-2.8**
Employee Share Option Expense (non cash)	**-0.4**	**-0.4**
Statutory EBDITA (1) (3)	**18.9**	**12.1**

Note:

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*

Year ended 30th June 2016 (A$ Million)	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 $ Million)	**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 $ Million)	**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.*

Summary Financials

12 Months to 30th June 2016	2016	2015	
	$'000	$'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 31st December 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.*

The Company's income tax provision on operating profit (excluding impact of gain on a2MC) reflected the allowable portion of deductible capital works expenditure on income producing assets undertaken during the year.

Plant Based Beverages Business Group

Plant based or non dairy production volumes increased during the period to support the growth of the Australia's Own brand, new branded product launches as well as an expansion of private label requirements.

Branded Portfolio

Largest supplier of Almond Milk Beverages

Plant based branded beverage sales continued the upward trend from the 2015 financial year, with volume growth compared to the previous corresponding period, reflecting increased sales of Australia's Own Almond blends and Blue Diamond Almond Breeze brands in retail, food service and convenience channels.

In retail grocery, the Company remains the largest supplier of Almond beverages, including products under the Australia's Own brand, our licensed Blue Diamond Almond Breeze brands and private label offers. During the period, the Almond Milk category became the largest non-dairy category, accounting for 39% of the retail non-dairy category, compared to 33% at July 2015. Soy declined further with total share at 38%, compared to +50% in prior years. It is expected that Almond and related blends will continue to grow share within retail and other channels, reflecting consumer trends comparable to developments in North America, where Plant based beverages continue to grow share.

As part of a focus on building beyond traditional retail channels, the Company launched new innovation in plant and dairy based products for food service and Petrol & Convenience channels, with a particular focus on coffee milk applications.

The increasing growth of food service channels (eg 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 has targeted this channel opportunity with the development and launch of a range of Barista blend brands including the premium "MilkLab" range, "Almond Breeze" Almond Barista and "So Natural" Barista Soy that incorporate process technology to deliver a product that "works" with coffee.

During the year, the Company increased investment in marketing and distribution of these brands, with a resulting strong growth in brand recognition and sales. The Company sees significant growth opportunity in the growing and higher margin food service channel, including in offshore markets.

The Company also developed products for application in the Petrol & Convenience channel, with the launch in the 2nd half of Breakfast Blends (a range of premium breakfast drinks combining almond and oats). This launch, along with further innovation, is expected to lead to increased sales and profitability and build the Company's distribution capabilities in this channel.

Financial returns in the Almond portfolio continued to be impacted during the year by increased Almond inputs (reflecting exchange rate and market pricing). A recent reduction in market prices globally for Almond is expected to provide an improvement in financial returns over the next 12 months, although limited by a requirement to source from the USA for Almond Breeze and limited supply of organic almonds for the Australia's Own product range.

Australia's Own UHT liquid stocks increased sales and distribution during the period. The business is also a significant supplier of liquid stocks to retailers and other brands.

Non Branded Portfolio

Largest supplier of UHT Private Label products

The Company is a significant supplier of plant based beverages and liquid stock products to retailers and other brands, reflecting a total category approach that leverages our manufacturing platform and provides a strong base of earnings to further invest into our brands.

During the year, volumes for retailer and other branded products increased over the prior year period. Additional customers were also secured during the year including entering into medium term contracts for supply to retailers.

The Company believes its continued investment in product development and leading manufacturing capability in plant based beverages provides for significant long term growth in supporting retailer and other branded products.

New UHT Facility at Ingleburn, South West Sydney

Largest investor in UHT technology and capacity in Australia

Our current plant based non-dairy capabilities are constrained in both production and distribution at our Taren Point operation, restricting growth and financial returns. While our overall profit in this segment grew, the potential additional profit from growing volumes was impacted at a contribution level by an increasing cost of plant reliability and outsourced distribution arrangements at our operationally constrained Taren point facility.

The Company is well progressed on the construction of a new UHT facility at a site in Ingleburn in South West Sydney. The impacts of autumn and winter rains in Sydney has seen construction delayed, with completion of core building works expected by December 2016, with equipment installation now planned to occur during March 2017. The transfer of operations to the Ingleburn site from our existing Taren Point operation will be staged over a 6 month period to ensure continuity of supply.

1st stage installed UHT carton capacity is expected to be approximately 80 million litres, from current capacity at Taren Point of approximately 50 million litres.

The Company is also progressing installation into the Ingleburn facility of a state-of-the-art UHT PET plastic bottle capability that will facilitate expansion of our branded product range into retail, food service and Petrol & Convenience channels. It will also provide the capacity for domestic and export sales into China and South East Asia of premium dairy formats utilising dairy milk from the Company's dairy farm operations. This capability is expected to be installed and operating from July 2017.

The new Ingleburn facility will provide for existing and new UHT carton and plastic packaging capabilities. The facility will also be capable of processing dairy products, to allow a two-way redundancy with the Shepparton facility, while providing opportunity to expand the Company's base in dairy from multiple processing sites as required. The new facility will provide for significant expansion in capacity and efficiency improvements compared to current operations, including providing a materially more efficient and lower cost production, warehousing and logistics solution compared to current arrangements. This is expected to positively impact sales and earnings during FY 2018.

Dairy Business Group

Branded Portfolio

Dairy based branded beverage sales continued the upward trend from the 2015 financial year with volume growth compared to the previous corresponding period, reflecting increased sales of Australia's Own Kid's Milk and the So Natural and Vitalife brands in domestic food service and export markets.

Australia's Own

Largest imported Kid's Milk brand in China

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

The product has been launched in a small number of key provinces including Zhejiang, Hunan and Jiangsu, with considerable marketing investment JLL, including point of sale promotion and sampling, external promotion and TV commercials.

Volumes developed throughout the 2015 calendar year, with a strong momentum into the 2nd quarter of FY 2016, as the product started to gain acceptance with consumers, particularly in large format retail supermarkets in the key provinces targeted. With significant ongoing marketing investment including point of sale promotion, sampling and sponsorship of leading children's TV programmes, the growth trajectory has continued into the 2016 calendar year, with the product now the largest imported Kid's Milk brand in China. From late 2016, the Kid's Milk product will utilise milk sourced only from the Company's Moxey Farm operation.

With a forecast significant increase in demand beyond 2016, the Company will install additional high speed 200ml capacity at the new Ingleburn site in 2017. Current capacity for the product format from the Company's Taren Point facility is limited, given ongoing demand for other portion pack formats in Australia.

The Company intends to further build the Australia's Own brand as a premium dairy brand into Australia and China through its partnership with JLL. In Australia, the brand will be used to anchor increased product format capabilities at both Ingleburn and Shepparton facilities to deliver innovative and differentiated products for retail and Petrol & Convenience channels.

So Natural and Vitalife

Fastest growing 1 Litre dairy product on JD.com

The Company has progressively developed the So Natural brand in the China market, commencing in 2014 through offline specialty channel distributors. Since the launch of the cross border online trading market in 2015, the Company has partnered with JD.com and other distributors in offline channels to promote the So Natural brand as a high quality dairy product, initially launched in 1 Litre format.

Since September 2015, the So Natural brand, with marketing and promotional support, has become the fastest growing 1 Litre dairy product on JD.com's cross border trading platform, establishing a strong consumer franchise based on quality, price and delivery.

With the ongoing support of JD.com, the Company generated further growth into the 2nd half of 2016, although the rate of growth was impacted by the regulatory delays on the inclusion of UHT on the China cross border "positive list", with delayed promotional plans impacting on order rates during May and June.

Since July, sales of "So Natural" and "Vitalife" UHT products have continued to grow through cross border e-commerce channels with the major online retailers JD.com and Tmall. As well, the Company continues to build sales for these brands in general trade ecommerce, reflecting its position as the primary growth channel for ecommerce in China. Sales of these brands continue to grow in traditional retail distribution channels, having established initial distribution in 2014.

To build further brand capability, the Company has launched a portion pack variant and will introduce further dairy product formats into 2016. Other non dairy products will also be launched under the brands, including Cereal variants.

Shepparton UHT Operations (Pactum Dairy Group)

Largest supplier of Contract packed milk brands to China

PDG commenced operations in April 2014 to provide innovative UHT dairy milk capability for our own branded requirements as well as third party customers in domestic and export markets. PDG is a joint venture between Pactum and Australian Consolidated Milk (ACM), a major Australian dairy milk supply group.

Dairy operations at Shepparton achieved sales in 2nd half of FY 2016 of $36 million, with the business set to experience a significant step up in sales in the 2017 financial year , reflecting the contribution from the new contracts entered into in 2016 and increasing demand in Australia, China and South East Asia.

In Australia, the Company has secured a number of long term retail customers that provide a strong base of underlying volume and earnings support. The customers include Woolworths Supermarkets and a growing major Australian retailer. Some of this volume commenced in 2nd half of FY 2016, with the balance to commence later in calendar 2016. The Company has invested in additional automated packaging capability to provide unique packaging formats for customers. During the 2nd half of FY 2016, the Company experienced higher costs associated with the meeting these customer requirements ahead of the new packaging capability. Current demand for the 1 Litre format has exceeded current capacity, with the Shepparton operation having recently moved to 24/7 production. The capacity increase, along with increased processing capability and upgrades to downstream packaging, will significantly improve efficiencies.

In China, the Company has established key relationships with major dairy manufacturers and brand owners including Mengniu, Shenzhen JLL (Guangzhou), Bright Dairy (Shanghai), New Hope Dairy (Chengdu), Weigang Dairy, online retailers, Pinlive and a number of regional dairy manufacturers and distributors. Each of these relationships are complementary, as our customers in China recognise the level of regionalisation and hence diversification in local market distribution, product range and capability within that market. The recent addition of several new customers in China reflects an increasing recognition of PDG as a supplier of choice in UHT dairy ex Australia, based on our unique customer partnership model.

In South East Asia, the Company has also developed other customer relationships in markets such as Hong Kong, Philippines and Vietnam, including the recently announced relationship with International Dairy Products (IDP) in Vietnam.

It is anticipated that our customer requirements are expected to grow beyond their initial volumes as demand for milk increases in their respective home markets, with Australian milk products providing the highest quality and safety at a comparative cost advantage compared to locally sourced milk. The $AUD exchange rate depreciation and Free Trade Agreement with China provide further competitive advantage to the business in the medium to long term.

New Capacity

Largest investor in UHT technology and capacity in Australia

During the half, the Shepparton operation finalised the installation of additional portion pack capacity in 250ml Prisma and 200-330ml formats, taking total installed capacity to approximately 120 million litres or 290 million packs per annum.

To meet the increased demand for 1 Litre format from both domestic and export markets, the Company installed additional 1 Litre production capacity, with commissioning completed during July 2016. Current demand for the 1 Litre format has exceeded current capacity, with the Shepparton operation having recently moved to 24/7 production. The capacity increase, along with increased processing capability and upgrades to downstream packaging, will significantly improve efficiencies and provide for the operation to operate on a more efficient 24/6 production cycle.

During the 2nd half, the Company invested in new capabilities to process and package value add milk derivatives including cream in UHT formats. This format is expected to contribute to sales and earnings growth from FY 2017.

The Company is also progressing installation of UHT drinking yoghurt processing capability that will provide for this product to be delivered in a range of UHT packaging formats currently installed at Shepparton. The UHT Drinking Yoghurt category is the fastest growing beverage category in China, with further growth anticipated including from other markets in South East Asia. The Company has significant demand for this product from its existing China based customers including opportunities to sell the product under the Australia's Own and So Natural brands in China. This product is expected to contribute to sales and earnings growth from FY 2017.

Shareholding in PDG

With the PDG business progessing moving into profitability in FY 2016, the Company increased its shareholding in PDG to 50% effective 1 January 2016 by converting its convertible notes issued to it as part of its original investment.

As part of this and reflective of the increasing integration of the Shepparton operation into the Company, the results of PDG have been consolidated into the Company the period between 1st January and 30th June 2016. The Company expects PDG to make a significant contribution to Sales and Profits in future years aligned to the increased integration of PDG to the operations of the Company

Dairy Nutritionals

Australia's Own Infant Formula

The Company will launch in late September 2016, a range of Infant Formula (IF) products segmented into everyday and premium offers. Australia's Own "Gold" and "Diamond" for Step 1 to 3 will bring best of class in formulation and nutrition with product made in Australia from locally sourced ingredients where available.

The IF products will initially be offered in Australia and China through a direct to customer model, leveraging off the Company's increasing cross border sales channel capabilities and integration with domestic Chinese distributors.

The IF strategy is being developed as part of a longer term plan to build the "Australia's Own" brand as a leading high quality imported brand of choice for childrens nutrition in China. Building off the strong consumer uptake for the brand in China in the 3-7 year age bracket, the Company and our partner JLL are developing plans for the launch of products for infant nutrition and in the 7-12 year age bracket.

With the launch of the IF range initially through e-commerce channels, the brand will be well positioned for a transition to a "Chinese regulated" product into offline market channels from 2018, through the JLL sales, marketing and distribution platform in China.

This IF range is expected to make a breakeven contribution in FY 2017, reflecting start up investment, with sales and earnings contribution from FY 2018.

Nutritionals Platform

Since the half year results announcement, the Company has progressed design and feasibility work for a specialised nutritionals platform aligned to our increasing dairy capabilities across the group.

The nutritionals platform will provide for protein standardisation and ability to separate milk into industrial grade protein components, including Casein, Lactoferrin, Alpha-lactalbumin and Whey protein isolate.

The market for dairy ingredients is projected to witness growth in the upcoming years due to increasing awareness about the health benefits of nutritional food products. Dairy nutritionals are increasingly used in segments such as bakery & confectionery, dairy products, convenience foods, infant milk formula, sports & clinical nutrition. It is envisaged that a number of dairy nutritional ingredients could be utilised in current and new product formats manufactured by the Company in Cereal, Snacks, Dairy and Plant based products for both our branded products and for other customers branded products. The Company's Infant Formula product range would also utilise the Dairy nutritionals components.

The platform will be established adjacent to the existing UHT site at Shepparton in Victoria, providing synergies with the existing UHT operation and capability to build a more integrated dairy processing platform into the future, including partnership and collaboration with AFMH.

Subject to the requisite local government approvals, the Company is targeting an initial 1st stage capability to be in operation during calendar 2018, with the potential for a material contribution to sales and earnings from FY 2019.

Value Added Supply Chain - Dairy Milk

In July 2015, AFMH, comprising the Perich Group's Leppington Pastoral Company Pty Limited (LPC), New Hope Dairy Holdings Co Ltd and Freedom Foods Group Limited acquired Moxey Farms, Australia's largest single-site dairy operation. Collectively the combined Moxey and Perich Group's Leppington Pastoral dairy milk production is the largest dairy milking operation in Australia.

Moxey Farms operates a fully integrated dairy farming operation located in the Lachlan Valley, New South Wales, 340 km west of Sydney. Moxey Farms land portfolio covers an area of 2,700 hectares and includes 3,700 milking cows that produce approximately 50 million litres of milk per year, with a large proportion of this milk from a2 cows. The Moxey family have retained a strategic stake in AFMH and will remain to manage Moxey Farms in a joint venture with the Perich family.

FNP has a 10% equity shareholding in AFMH, with the balance held by the other consortium members. The Company equity accounted 10% of the net profit of AFMH in the period.

Farm Expansion and New Sites

Participant in Australia's top dairy farm delivering 75 million litres of milk pa

Since acquisition, Moxey Farms has expanded from 3,700 milking cows to 5,000 milking cows as part of a $40 million expansion including new state-of-the-art rotary processing dairy, cow barns, effluent management and expansion of land holdings including water and irrigation capabilities.

With new milking having commenced in August 2016, the expansion will be fully completed in October 2016, increasing milk production by 25 million litres. The additional milk output from Moxey Farms will be highly sought by fresh milk processors, given the ongoing decline in fresh milk production in NSW and QLD and requirement to ship milk from Victoria to meet production requirements in those markets. Notwithstanding, it is expected that the Company will use a growing proportion of this new output from Moxey Farm for its Australia's Own Kid's Milk and other dairy product formats, with production of such items to occur at Ingleburn with that facility's completion in 2017.

A further expansion of Moxey Farms is being considered to take the farm to its expected maximum capacity of 7,000 milking cows.

AFMH is also considering acquisition of additional dairy farm sites to build more fully integrated dairy farming operations, allowing its customers to secure access to additional consistent and long-term supply of high quality milk.

Cereal and Snacks Business Group

Branded Portfolio

Australia

Number 1 Health Food cereal brand and growing

Freedom Foods branded products delivered sales growth in its Cereal and Snacks segments compared to the prior year period. Alongside sales, marketing and specific product launch investments, the Company continued to invest in product development capability to drive further growth in retail and other channels such as food service and Petrol & Convenience in the medium term.

The business experienced growth in new format combination products such as Active Balance, Oat and Muesli products. The new Crafted Blends cereal range introduced with a flake based range in late 2015 was expanded during the 2nd half of FY 2016 to include a range of cluster style combination cereals. Utilising components from our Leeton facility, the cluster formats were produced at the Company's new facility at Dandenong.

Traditional format products (i.e. Corn Flakes, Rice Puffs) experienced declines against the prior corresponding period. To combat this decline and with a strategy to drive growth back into the Health category, the business along with our retail partners invested in additional promotions. The impact of this was to drive the Freedom Foods brand back into category growth as the business entered FY 2017. The business maintained category leadership in Health Cereal, with a +40% market share.

Significant additional ranging of an expanded Crafted Blends range will be in retail stores in the 1st half of FY 2017, as the business works on delivering more innovation and product differentiation to the Health category.

Since the relaunch of our "nut free" nutritional snack bar range in 2015, the business has experienced growth in both health and mainstream supermarkets channels. In both our health and mainstream positioning for our "nut free" snack bars, the brand experienced strong growth in the 2nd half supported by more increasing consumer recognition and improved promotional frequency. Significant additional ranging of an expanded "nut free" range will be in retail stores in the 1st half FY 2017.

The Freedom Foods "Arnold's Farm" brand achieved growth in its oat based cereal products through its exclusive distribution in Woolworths supermarkets. The brand offer will be expanded during FY 2017 with expanded range of cereals and a complementary snacking offer.

The Freedom Foods business is seen as the category leader in the Health Food section. Our expanding innovation, product range and format capability through our manufacturing capabilities provides a unique opportunity to build the Freedom Foods brand as a leading and trusted brand for healthier tasty cereal and snacks options.

We will utilise digital and social media as our primary communication medium to build our brand. We will integrate with brand ambassadors that align with our Company's culture and identity to build consumer awareness.

Tasty, functional and combination format products, as well as portable and convenience options, will be key drivers of growth in the Cereal and Snacks business. These areas are also a key focus for our innovation investment, while ensuring our products achieve a 3.5 – 5.0 star rating within the Government health star rating system.

China

Fastest growing Australian cereal brand on Tmall

In November 2015, Freedom Foods launched an online flagship store to promote the "Freedom Foods" branded product portfolio to Chinese consumers. With the newly acquired Popina Foods product range and capabilities, Freedom Foods fast tracked the launch into China of Freedom Foods "Arnold's Farm Full o' Fruit", "Freedom Foods Porridge" and oat cluster products to coincide with the Chinese New Year promotional periods.

The Company achieved notable early success, with its sales promotion for the Chinese New Year promotional period on Alibaba's Tmall International site performing well above expectation. The Freedom Foods "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 International.

Following this early success, sales have progressed well, with further growth achieved and increasing brand recognition in this small but growing category in China. The Company and Tmall International have built a joint business plan to accelerate development of a number of key products within the cluster cereal and oat porridge category under the Freedom Foods brands, specifically for the Chinese market. This includes focused promotional activity to coincide with key promotional periods during the calendar year including anniversary promotions and traditional promotional times including June, 11/11 and Chinese New Year.

The market for oat based cereal products in China, including cluster and premium muesli porridge formats, is expected to grow at a fast pace, driven by demand for better quality oats in existing consumption formats, and also changing consumption patterns. The demand for high quality Australian origin oats will also be further developed through consumers accessing product through China's cross border free trade zones and the China Australia Free Trade Agreement, which will reduce tariffs on oat based products over the next 5 years.

With its growing dairy platform already established on key online channels in China, Freedom Foods will utilise this expanding sales and distribution capability to accelerate its Cereal platform to establish a leading position in this rapidly expanding retail channel.

North America

Top 10 specialty and natural cereal brand in the USA

In North America, our 80% owned subsidiary invested in building sales and distribution capabilities for our Freedom Foods Allergen Free range of Cereals, increasing sales and store distribution within the Specialty and Natural Product Retailer markets. Considerable investment has been made in developing relationships with retailers including Sprouts, Whole Foods, Wegmens, Kroger and HEB.

A total of 5,000 distribution points were established by the end of August 2016. Freedom Foods is now ranked in the Top 10 cereal brands in Specialty and Natural channels in the USA. Significant new ranging has been achieved and has been rolling out through the middle of calendar 2016, including an additional 800 Kroger stores (within the natural cereals section) and 350 Target stores, along with other incremental small retailers.

With current portfolio sales skewed to a small number of sweeter tasting products, new products reflective of demand, and that are better aligned to the North American consumer taste requirement have been introduced.

With the North American business having established a growing consumer profile within the Allergen Free and Non GMO categories, the business has focussed on developing a more localised sales and marketing resource over the past six months and expects this to significantly expand distribution over the medium term.

This increased sales, marketing and distribution capability will be utilised to build more scale through expanded offering of Freedom Foods branded products that go beyond the Allergen Free base. The introduction of products under our Crafted Blends range and a further unique offering, in collaboration with CSIRO will also be launched in North America. The Company also intends to utilise its capabilities in this market to test its specialised MilkLab "coffee milk" offering in targeted cities in the USA.

Sales increased 21% to A$1.9 million in FY 2016 with the net loss decreasing marginally (including $300k due to exchange rate impact) as the business continues to invest to build a sustainable market share within the retail and wholesale price point parameters available in the North American market. The North American business now contributes approximately 10% of Leeton Cereal production output.

The Company is actively considering options for increased scale in the North American market including the potential for partnerships and acquisitions that also include further utilisation of our expanding production base in Australia. The business is expcted to move to a break even position in FY 2017, with a focus on delivering a profitable sales base within the medium term.

Non Branded Portfolio

The Company is a significant supplier of cereal, snack and grain based ingredients to retailers and other brands, reflecting a total category approach that leverages our manufacturing platform and provides a strong base of earnings to further invest into our brands. While the company is less developed in the execution of this strategy in cereal and bars as compared to plant and dairy milks, it represents a significant growth opportunity over the next few years.

During the year, volumes for brand owners and retailers increased over the prior year period. Additional customers were secured during the year including entering into medium term contracts for supply to key customers.

In recent months, the Company has secured its first significant supply of cereals and oat based products to a major brand owner in China. In this instance, the Company's quality and manufacturing capabilities aligned to reducing tariffs under the China Australia Free Trade Agreement secured the opportunity against supply from European markets.

The Company believes its continued investment in product development and leading manufacturing capability in cereal and snacks provides for significant long term growth in supporting retailer and other branded products in Australia, China and North America.

Oats based Cereal and Snacks Acquisition

Largest oat cluster supplier with over 60% share

As indicated at the half year, the Company completed the acquisition of Popina Foods, a major Australian manufacturer of oat based cereal and snacks during December 2015. Key customers include major brand owners and retailers, as well as manufacturing for its own brands.

Popina Foods (now Freedom Foods Group Dandenong) is a recognised leader in cluster format cereal and snacks in Australasia, with manufacturing operations based in Dandenong, Victoria. The acquisition has been a significant strategic addition to the Company allowing it to fast track its ability to expand our brand and category segment offering in oat based products in Australia and into Asia, and for the first time allow the Company to operate manufacturing capability in both allergen free (Leeton) and nut based capabilities (the new business) on a cost competitive basis. Additional integration opportunities in milling and ingredients supply to Dandenong have also been identified.

The purchase price for Popina Foods was approximately $35 million. The acquisition delivered sales and earnings for a 6 month period in FY 2016. It will be accretive to earnings in its first full year of operations in FY 2017 and is expected to provide further operational efficiencies in the medium term.

Darlington Point Mill

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

In August 2015, the Company completed the acquisition of the business and assets of the Darlington Point Mill based in the Riverina district of New South Wales, approximately 32kms from Freedom Foods manufacturing facility at Stanbridge, near Leeton.

The Mill operates an established grain processing facility for the supply of milled flours and popping corn. It is a significant processor of popping corn, with a +40% share in Australia, while also processing gluten free and non GMO grains. The business has existing customers in food service and processing markets in Australia as well as export markets.

The acquisition price for the assets (excluding raw materials) was approximately $8.5 million. The acquisition comprised assets located at the site including 7.5 hectares of land, several modern large and medium sized grain silos, flour processing plants, other machinery and equipment and buildings including an export container facility.

The acquisition delivered a sales and earnings contribution in FY 2016. It will be accretive to earnings in its first full year of operations in FY 2017 and is expected to provide further operational efficiencies in the medium term.

Since acquisition, the Company has upgraded the Darlington Point Mill operations investing in particular in people and systems for managing production, quality and receival and dispatch systems. The Company has begun to expand the milling operations for internal use and external customers, to both grow sales and access cost efficiencies. Already the business is seeing increased demand for its Popping Corn and Maize flour products. Our sub scale milling operations at Leeton have been relocated to the Darlington Point Mill, with the equipment being used to allow the Mill to undertake smaller specialised runs. In addition the relocation has freed up space at Leeton, providing for increased finished goods warehousing capabilities.

With the significant increase in oats purchasing and processing requirements from the acquisition of the Popina Foods business, and a macro outlook for ongoing growth in demand for oats, the business is in the final stages of a feasibility study to process oats at the Darlington Point site. This would include procurement of oats through our own Freedom Farmers base, as well as storage and processing of all current and projected requirements. The Company is targeting an initial 1st stage capability to be in operation from calendar 2018.

Freedom Farmers

Aiming to be a fully integrated paddock to plate provider

As part of ensuring best quality and growth in supply of key grains to our Freedom Foods Group production facilities, the business expanded its Freedom Farmers platform, with a number of key farmer groups engaged to build the Company's specialised grains supply platform over the coming years that will guarantee our strategy of being an integrated paddock to plate provider. Australian sourcing of all key grain based ingredients will be a key source of competitive advantage for the Company.

During the half year, the Company managed, for the first time, seed and planting processes under contract with its Freedom Farmers for Popping Corn, Maize and Buckwheat to be delivered through calendar 2016. Additional contracts are being put in place for 2016 plantings, for delivery in calendar 2017. The impact of these plantings and subsequent crops will see changes to working capital requirements in the coming years.

Cereal and Snacks Manufacturing Base

The Company intends to maintain, in the medium term, an integrated cereal and snacks operation at Leeton and an oats and cluster format cereal processing and packaging operation at Dandenong.

Existing oat based manufacturing capabilities at our Dandenong facility are at capacity, reflecting increased market demand for cluster format cereal and snacks in Australasia and recognition of Dandenong as a leading manufacturer in this area. To provide additional capacity to meet the growing demands of existing customers and our branded portfolio as well as capability to grow into China and South East Asia, the Company has committed to a significant expansion of cereal oven and related packaging capabilities at the Dandenong facility. The capacity expansion is expected to be installed from September 2016 and will provide for growth in sales and earnings from FY 2017.

With increasing demand for snacking products in both allergen free and all purpose formats, the Company will maintain existing snacking capabilities at both sites. An upgrade to the Dandenong snacking capability to provide for increased throughput and DDP (paste extrusion) technology will be made prior to December 2016. This will allow the Company to meet all its branded and non branded customer requirements over the medium term.

Cereal and Snacks Outlook

The Cereal, Snacks and Milling business is now strategically positioned to build a significant growth platform in multiple products, channels and distribution across Australia, China and North America.

The acquisitions of the Dandenong oats platform and the Darlington Point Mill has accelerated the business plan and provide further value adding scale benefits to the expanding sales, manufacturing and supply chain footprint of the Cereal and Snacks business.

The Company's significant investment in product development capabilities will deliver an exciting innovation pipeline of new products in Cereal, Nutritional Snacks and new formats for convenience and food service channels.

The incremental capital expenditure in oats processing, bar processing and milling capability will assist in delivering an expanded and more relevant product suite, a lower cost base and capacity to enable the business to build sales through more effective throughput and efficiencies. The opportunity to build our state of the art facilities into significant value adding assets through processing high value added niche products will assist in building a leading Cereal and Snacks business across all segments of the market.

Specialty Foods

Number 1 Sardine brand in Australasia

Brunswick Sardines maintained its No. 1 brand leadership position in Australia and New Zealand.

During the 2nd half of FY 2016, Sardine supply from Canada was constrained due to weather conditions that impacted fishing quotas. This had a significant impact on available supply and the Brunswick range was restricted in meeting normal sales promotions. Supply has recommenced since and the Company intends to maintain a dual supply base for Atlantic sourced Sardines to reduce exposure to a single fishing area.

Against this, the Paramount Salmon brand performed well during the period. While commencing Salmon inventory reduced our exposure to AUD / USD exchange rate decline, the last 9 months of the year was impacted by unfavourable exchange rate on the balance of purchasing in Salmon and Sardines. Tight management of sales promotions and reduced promotional spend negated some of the exchange rate impact on gross margin.

The business remains focused on positioning for growth through calendar 2016 through category leadership of the Specialty Seafood channel, including new product opportunities aligned to consumer demand for convenience and superior health benefits.

The business continued to utilise the procurement power of Bumble Bee Foods of North America, with Bumble Bee securing 2015 inventory requirements through priority access to salmon and sardine catch volumes.

Corporate and Group Mangement

Talent and Technology

The Company continued to make investments in people and capability. During the period, we significantly increased our talent and capability in our retail sales team in Australia and China, our marketing and innovation team across beverage, cereal and snacks capability, quality systems, operations, financial 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. In our senior team, we have appointed a Chief Financial Officer who will commence on 1 September 2016.

We are developing our people and talent identification process to align with the Company's rapidly expanding sales and operational platform.

The Company is well progressed on a complete transformation of its IT / ERP systems. From October through December 2016, the Company will upgrade from its existing 1st generation platform to a new cloud based ERP system. Integrated through all aspects of the Company including sales, marketing, operations, supply chain and quality, the Company will have a capability to further analyse its business, significantly increase productivity and provide for growth. The Company intends to be a leader in utilising digital technologies to further automate and streamline its operations.

Capital Management

Capital Raising

The Company completed a capital raising in November 2015 that comprised a pro-rata accelerated non-renounceable entitlement offer and institutional placement.

The offer raised a total of $65 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 $2.85 per share, which represented a 2.4% discount to the average trading price over the preceding 30 day period.

The funds raised from the capital raising are being utilised in the funding of the Company's growth strategy including the acquisition of Popina Foods, construction of a new UHT processing facility at Ingleburn as well as providing the Company with additional balance sheet flexibility for future growth opportunities.

Sale of The a2 Milk Company Shareholding

In October and November 2015, the Company disposed of its entire shareholding in The a2 Milk Company Limited (a2MC) in 2 block trades at an average price of A$0.77, generating approximate net proceeds of A$90 million.

The Company realised its investment in a2MC on the basis that the opportunity cost arising from the market value of the funds employed in the holding would be better utilised being applied to activities and businesses in respect of which the Company has either 100% ownership or significant ownership and control interests.

The total profit from investment in a2MC, since the original investment in 2007, was A$85 million, a return of 425% on the original investment.

Cash and Liquidity

The Company held cash of $63.9 million at 30th June 2016, with total borrowings of $103.8 million, comprising term facilities, equipment finance leases and working capital facilities. Net debt at 30th June 2016 was $39.9 million, with a net debt to equity ratio of 13.9%.

Cash flow from operations was $13.4 million, an increase of $5 million from FY2015, reflecting increased sales offset by increases in working capital requirements associated with inventory build for the changing mix of business in beverages and new product launches.

During the period, the Company invested $63.1 million in capital expenditure (relating to Leeton operations, Darlington Point Mill, Dandenong, Shepparton and new facilities being constructed at Ingleburn) funded by cash.

Dividends

Consistent with the improved profitability and positive outlook for group performance, the Company will pay a final fully franked dividend of 2.25 cents per ordinary share in November 2016, an increase of 0.75 cents per ordinary share on the final dividend paid in FY 2015. The record date for determining entitlements is 2nd November 2016 and the payment date is 30th November 2016. This brings the total dividend declared in FY 2016 to 4.0 cents per ordinary share (a 33% increase from 3.0 cents in FY 2015).

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 2016 and the payment date is 30th November 2016.

There are 101,617 converting preference shares remaining on issue at 31st August 2016. 35,400 converting preference shares were converted to ordinary shares during the 12 months ending 30th June 2016.

Group Outlook

The Company is strategically well positioned to build scale in its key business platforms of plant based beverage, premium dairy and specialty cereal and snacks, with strong sales and earnings growth over the long term from Australia and key international markets in China, South East Asia and North America.

Increasingly our key brands "Australia's Own" and "Freedom Foods" will be at the forefront of driving our returns from our innovation and manufacturing capabilities in Australia and international markets.

Our commitment to servicing a broader category including retailers and other brand owners will remain, driving scale and generating earnings to support our brand strategy.

The Company is developing a unique supply and manufacturing footprint in its key categories. We believe the ability to control supply and manufacturing inputs and more quickly deliver innovation across a range of product formats for our brands and our key customers will be a key strategic advantage in the medium to long term, particulary in value adding Australia's unique agricultural base. While this requires significant capital investment and patience, we will continue to invest to achieve this outcome.

The expansion of our plant based beverage capabilities in Sydney in 2017 is expected to result in a material increase in sales and profitability, with further growth opportunities through meeting the increasing demands of our brands as well as our our private label and branded customer base.

The dairy platform being established provides a material opportunity to increase exposure to the growing demand for high quality and safe dairy products from China and South East Asia, aligned more closely through our brands as well as our strategic customers. With strong sales growth and increasing profitability into calendar 2017, the increase in the Company's shareholding in PDG to 50% (from the conversion of convertible notes) and the resulting consolidation of PDG from 1 January 2016 will contribute to sales and earnings. Our expansion into Dairy Nutritionals provides an opportunity to build a more integrated dairy processing platform into the future, with the potential for a significant increase in sales and earnings.

The Cereal, Snacks and Milling business is strategically well positioned to build a significant growth platform in multiple products, channels and distribution across Australia, China and North America. The business will deliver increasing sales and profit through innovation in new products, expansion of distribution channels in Australia and international markets, together with increasing manufacturing efficiencies from volume and cost efficiencies arising from the capital investment program at Leeton, Darlington Point Mill and Dandenong. This, aligned with investment in building awareness of the brand across a broader consumer market open to healthier products, is expected to provide a strong base for growth into future years.

We will evaluate acquisitions that add value to and significantly accelerate and or leverage our sales, marketing and operational platforms.

Our capital raising and realisation of the investment in a2MC, along with support from our banking partners, provides a strong balance sheet capability to execute our strategy.

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.

With the Company experiencing a strong start to the 2017 financial year across all business areas, the Company anticipates the ongoing benefits of the strategy and its multi stage capital investment programme to accelerate increased group profits and returns in FY 2017 and beyond.

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