



Freedom Nutritional Products Limited  
2008 AGM Presentation

**Geoff Babidge, CEO & Managing Director**

## Highlights in 2008

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- FNP consolidated gross sales increased 11% on prior year.
- Operating EBITDA increased to \$3,835 Thousand.
- Acquisition and successful integration of Norganic Foods brand in November 2007.
- Acquisition of dormant food grade facility near Leeton, NSW in April 2008 and commencement of planning to establish a dedicated gluten and nut free cereal and baked product facility during early/mid 2009.
- Continued successful development of A2 Dairy Products Australia joint venture with growth in fresh milk volumes, achievement of monthly earnings break even from July 2008 and planning for market entry in Japan.



## Financial Performance

<b>Year to 30 June (A\$ thousands)</b>	<b>2007 Reported</b>	<b>2008 Reported</b>	<b>% Change YOY</b>
<b>Net Sales Revenue</b>	<b>49,945</b>	<b>55,202</b>	<b>11%</b>
<b>EBDITA</b>	<b>3,173</b>	<b>3,203</b>	<b>1%</b>
<b>Profit before tax, finance costs &amp; investments</b>	<b>3,147</b>	<b>3,227</b>	<b>3%</b>
<b>Interest</b>	<b>1,222</b>	<b>1,364</b>	<b>12%</b>
<b>Share of loss on JV's</b>	<b>(136)</b>	<b>(355)</b>	<b>(161)%</b>
<b>Pre Tax Profit</b>	<b>1,789</b>	<b>1,508</b>	<b>(16)%</b>
<b>Net Profit Attributable to members</b>	<b>1,169</b>	<b>956</b>	<b>(18)%</b>
<b>EPS (Fully Diluted) (cents)</b>	<b>2.6</b>	<b>2.0</b>	<b>(23)%</b>
<b>Shares on Issue ( thousands)</b>	<b>44,527</b>	<b>54,607</b>	<b>-</b>



## Speciality Seafood Business Unit

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- Paramount salmon and Brunswick sardines and specialty products performed marginally under plan in 2008.
- Paramount salmon sales were above last year whereas Brunswick sardines was below last year.
- Higher purchase costs and increased competition impacted Brunswick sardines in Australia, however we have secured a lower cost base since mid year. Brunswick NZ performed well.
- The 2008 pink salmon catch in Alaska is low which will impact on volumes and prices during 2009. Our procurement partner Bumble Bee Foods has secured our inventory requirements for the 2009 year.



## Freedom Foods Business Unit

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- Freedom Foods achieved sales growth of 64% (excluding soy and rice beverages) in 2008 from higher sales of cereals and snacks and acquisitions of baking assets and Norganic Foods.
- Our entry into free-from frozen foods did not meet volume expectations and we decided not to expand our “100 healthy calories” range but rather focus on our core free-from offer.
- We completed the acquisition of the assets of Norganic Foods in October 2007 which consolidated our leading position in retail grocery and health food market.
- We acquired a modern food grade factory near Leeton, NSW in April 2008 and finalised plans to establish a dedicated manufacturing facility for gluten, wheat and nut free cereal and baked products during 2009.
- This will be a unique facility to support growth of Freedom Foods branded and contract special dietary products both domestically and in offshore markets.



## Soy and Rice, CBPA Joint Venture

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- Soy & Rice beverages performed below plan in 2008 with ongoing price competition and a flat to declining UHT market.
- So Natural rice milk showed good growth and maintained its market leadership position.
- Our improved whole bean soy taste ensures our core products are comparable with the profile of our major competitors.
- The CBPA Joint Venture incurred a loss during the year given lower contract packing volume and disruptions from equipment upgrades.
- We have implemented a new plan to broaden the CBPA product offering and engaged a new management team to significantly improve financial performance in the current year.



## Thorpedo Foods Joint Venture

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- The focus during 2008 was in continuing to support our licensee in Japan, Yakult Honsha Co Ltd.
- Yakult's marketing campaign remains focused on building awareness of the benefits of a low GI Thorpedo sports beverage.
- Thorpedo Foods achieved its planned financial return during 2008.
- We are pleased to advise that we have agreed an extension of the current contractual arrangements with Yakult Honsha for a further 3 year period, until March 2012.



## A2 Dairy Products Australia Joint Venture

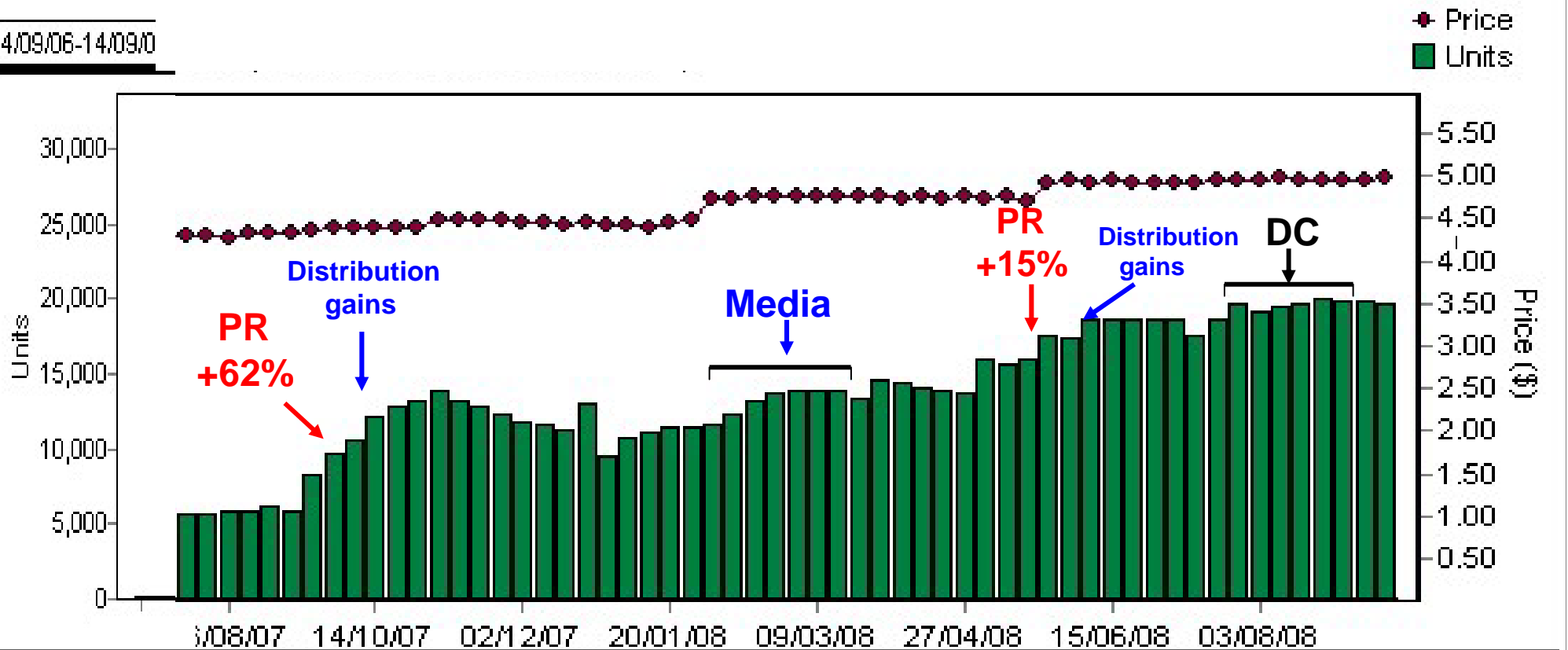
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- We invested in the new JV company, A2 Dairy Products Australia (A2DP) in June 2007 with exclusive rights for a2 milk products in Australia and Japan.
- Evidence suggests consuming a2 milk rather than regular milk may reduce risks for individuals predisposed towards certain disease conditions.
- During the 2008 year the business achieved:
  - Increased brand awareness from new advertising and PR
  - A significant increase in fresh milk sales volumes
  - Improved distribution effectiveness and in-store availability
  - Monthly breakeven earnings by year end
- A2DP commenced and is progressing a market entry strategy into Japan.



# A2 Scan Sales Trend

24/09/06-14/09/0



A2 Full Cream 2L Woolworths Aztec

## 2009 year priorities

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- Manage the Leeton capex project and commissioning to plan.
- Continued development of the Freedom Foods business including streamlining Freedom Foods and Norganics branding of cereals, snacks and beverages.
- Growth in Norganic range including Crunchola cereals, breakfast bars, organic mayonnaise and dressings. The deferred consideration of A\$1m is now payable given achievement of performance hurdles.
- Build Brunswick sardines volume and closely manage price movements arising from the reduced salmon catch and fluctuations in foreign exchange rates.
- Continued development of A2DP including growth of market milk with launch into WA, launch of UHT and finalise a market entry plan for Japan.
- Improved financial performance for CBPA JV.



## Freedom Foods current progress at Leeton

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- The plan to establish a unique “free from” manufacturing facility at the Leeton factory is progressing to plan.
- The first priority is the acquisition and installation of cereal manufacturing and packaging equipment. This includes major new capital items manufactured to our specifications in Europe and the USA for extruding, flaking, coating and drying.
- The key cereal items are on schedule for delivery over the next 3 months with commissioning around April.
- We also plan to install and commission muesli mixing and packaging and bar manufacture equipment.
- We have commenced utilising Leeton for warehousing of seafood inventory and will progressively transfer outsourced warehousing of Freedom Foods products to Leeton.



# Leeton Factory



## Summary

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- We will continue to focus on building the core activities of Freedom Foods special dietary, Speciality Seafood and A2DP
- We should achieve our target of annualised gross sales for FNP and associated joint ventures exceeding \$100m during the year.
- We have a supportive relationship with our bankers and will continue to seek ways to build our equity base to fund growth.
- We will undertake a specific equity raising to support the Leeton project. Details of this will be announced shortly.
- Subject to financial performance, the company assumes continuation of dividend payments for the current year.



