

Freedom Nutritional Products Limited

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ASX Announcement Freedom Nutritional Products Limited 2009 Full Year Results

FNP REPORTS GROWTH IN OPERATING EARNINGS NET PROFIT FROM OPERATIONS UP 90% ON PRIOR YEAR

12 months to 30 June	2009 \$'000	2008 \$'000	% Change
Gross Sales Revenues *	61,571	67,883	(9%)
Net Sales Revenues *	48,596	54,082	(10%)
Operating EBDITA **	4,568	3,824	19%
Operating EBIT **	4,116	3,492	18%
Profit/(loss) from Equity Associates	212	(354)	160%
Net Profit from Operations	1,815	956	90%
Net Profit (inc non cash FX mark to market)	1,320	956	38%
Return on Average Funds Employed % ***	9.4%	9.4%	-

Notes

* Excludes Royalty income received from Yakult, convertible note interest and rental income.

** Excludes non recurring restructuring and corporate development costs, non cash expenses of management employee options, non cash equity share of joint ventures and non cash mark to market adjustments for foreign exchange contracts.

*** Based on Operating EBIT over average funds employed for the period.

*** EBDITA / Funds Employed, Funds Employed includes \$8.2 million in assets relating to Leeton Manufacturing Facility not in operation

Sydney, 27th August 2009 – (ASX:FNP): The FNP Group achieved Net Profit from Operations of \$1.8 million for the 12 months ended 30 June 2009. This represents an increase of 90% in comparable net profit over the previous year and is after expensing \$615k of non recurring restructuring and corporate development costs.

The Company was obliged to bring to account the mark to market value of its foreign exchange contracts which at balance date represented an unrealised loss of \$495k (tax affected). This adjustment has no impact on the Company's operating performance or cashflows and will be reversed in the income statement in the following financial year. Net Profit adjusted for this mark to market adjustment was \$1.3m.

The result reflected a credible improvement in operating performance for the wholly owned business units on the prior year and a very significant improvement for our joint venture operations. Gross sales excluding JV associates decreased by 9% relating to the transfer of contract soy sales to an associated JV and discontinued products in Freedom (i.e frozen range). Operating EBITDA was \$4.6 million, an increase of 19% from the prior corresponding period and return on funds employed of 9.4% (with funds employed inclusive of Leeton assets not in operation).

KEY HIGHLIGHTS FOR FY 2009

Key highlights for the year included:

- Improved sales and contribution of Freedom Foods cereals, core snack products and proprietary soy and rice beverages.
- Improved sales and margin performance for the Specialty Seafood division.
- Implementation of the Freedom Foods major capex plan to establish a dedicated gluten free and nut free cereal and baked products facility near Leeton, to be commissioned from August 2009.
- Significant growth in fresh milk sales and achievement of profitability well ahead of plan for the A2 Dairy Products Australia joint venture. FNP's share of A2DP was increased to 50% through the conversion of convertible notes in May 2009.
- Turnaround to profitability and growth of the CBPA joint venture.

BUSINESS UNITS – WHOLLY OWNED

Freedom Foods

This year was one of consolidation for the Freedom Foods business.

The priority has been to progress the major capital expenditure project to establish a dedicated gluten, wheat and nut free manufacturing facility at the newly acquired premises near Leeton NSW. The new facility will enable us to internalize the manufacture of the key products of the business, provide capability to innovate and broaden the range, and enable the company to expand sales into further channels and markets. The project is substantially complete with commissioning of cereal production taking place during August 2009 and for biscuit and breakfast bar equipment to be installed by December 2009. The present Hornsby baking operation will be relocated and closed as part of this process. The funds employed in the Leeton facility totaled \$8.2m at year end, funded by a shareholder advance and equipment finance.

Sales and contributions for cereals and core snack products such as wraps and mayonnaise showed growth on the prior year whereas proprietary biscuits were flat given limitations to innovate in our Hornsby facilities. Contract biscuit sales to grocery customers were well down on the prior year as were frozen foods which were exited during the year.

Soy and rice proprietary beverages performed to plan. We undertook a major review of the positioning, range and packaging across the portfolio and the new strategy will be progressively introduced to the market from August 2009.

Specialty Seafood

The Specialty Seafood division comprising Paramount salmon and Brunswick sardine and specialty seafood products performed strongly and well ahead of the prior year.

Paramount salmon volumes were marginally down given increased costs and selling prices for pink salmon arising from a significantly lower catch in 2008. Brunswick sardines sales and margins were both higher in Australia and New Zealand. Our Seafood sourcing continues to be well managed in association with our procurement partner Bumble Bee Foods.

Thorpedo Foods (50.1% owned)

Yakult Honsha, Thorpedo Foods licensee in Japan continued to develop the Thorpedo portfolio of beverages and extended the license agreement for a further 3 year term. There are now 4 beverage products sold under the Thorpedo brand in Japan.

BUSINESS UNITS – JOINT VENTURES

A2 Dairy Products Australia

A2 Dairy Products Australia (A2DP) has the exclusive rights for the production and sale of a2 milk™ products in Australia and Japan in association with A2 Corporation Limited of New Zealand. In May 2009, FNP converted a convertible note investment into a 50% equity interest in A2DP.

a2 milk™ is obtained naturally from cows specially selected for their genetic makeup to produce milk containing predominantly A2 protein. Certain evidence suggests that drinking a2 milk™ rather than regular milk may reduce disease risks for some individuals who are predisposed towards certain conditions.

A2DP continued to develop strongly and achieved an Operating EBIT of around \$1m as a result of continuing growth in fresh milk volumes during the year. Following a launch in Western Australia in April 2009, a2 milk™ fresh milk is now available in all mainland states of Australia. This growth is a function of increasing awareness of the potential benefits of a2 milk™ and support from our retail partners in improving shelf presence and availability. In May A2DP launched a2 milk™ long life (UHT) dairy milk into the grocery channel.

The business continues to work on how to improve communication of the benefits of the product to both consumers and health professionals and on extending into additional product categories beyond drinking milk, with yogurt the next priority.

A2DP is also continuing to progress developing a market entry strategy for Japan with a part time company representative based in Tokyo.

Contract Beverages Packers of Australia Pty Ltd (CBPA)

CBPA (50% owned) achieved a substantial turn-around in performance in the year following the implementation of a revised business model, new management and increased throughput and sales. EBIT for the year after once-off restructuring costs increased to \$878k, which after financing costs resulted in a NPAT of \$ 149k, representing a satisfactory return on FNP's investment.

CBPA is progressing a plan to broaden its contract packing product and customer base. FNP transferred its non proprietary soy and rice beverage contracts to CBPA as part of this process with FNP's proprietary soy and rice beverages continuing to be packaged on a cost plus 5% basis.

OUTLOOK

FY 2010 will be a particularly exciting year for the Company.

FNP has made significant investments in capital expenditure and new capacity over the last two years and is now beginning to see improved returns for shareholders.

FNP is strategically well positioned to benefit both from the growth in the "free from" functional foods space and the broader wellness sector by leveraging its established brands, market positions and new production capacity.

FNP has two significant growth businesses; Freedom Foods, comprising manufacturing of "free from"(i.e. gluten, wheat, dairy, nut free) cereals and snacks at the new Leeton facility, and the development of A2 milk, which does not contain the A1 protein to which some people are intolerant or sensitive.

For further information, please contact:

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