

Freedom Nutritional Products Limited

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ASX Announcement

Freedom Nutritional Products Limited 2010 Full Year Results

FNP NET PROFIT UP 154% ON PRIOR YEAR

12 months to 30 June	2010 \$'000	2009 \$'000	% Change
Gross Sales Revenues *	56,612	61,571	(8%)
Net Sales Revenues *	44,071	48,596	(9%)
EBDITA – Operating **	4,511	4,568	(1%)
EBDITA – Reported pre Equity Associates	3,821	3,282	16%
Equity accounted share of profit	1,308	212	517%
Net Profit	3,357	1,320	154%
Return on Average Funds Employed % ***	8.9%	9.4%	
Return on Average Funds Employed % ****	11.5%	9.8%	

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, non cash mark to market adjustments for foreign exchange contracts and write off of decommissioned plant & equipment.

*** Operating EBDITA / Funds Employed, Funds Employed excludes \$10.8 million (\$8.2m 2009) in assets relating to Leeton Manufacturing Facility not in operation for the period.

**** Operating EBDITA + Equity Associates share of profits.

SUMMARY

Freedom Nutritional Products Limited (FNP) achieved a record Net Profit of \$3.36 million for the 12 months ended 30 June 2010 representing an increase of 154% on the corresponding 12 month period.

The result is after including non operating expense items that contributed (\$571k) to Net Profit. These items included redundancy costs and write down of redundant plant and equipment on closure and relocation of a baked goods operation from Hornsby to the company owned Leeton facility. The results also included an overall tax benefit of \$263k largely relating to the recognition of a prior year tax adjustment for increased allowances for research and development.

While overall better than budget, the result reflected lower operating earnings from the Freedom Foods business in consequence of higher input costs and margin pressure in cereals and biscuits prior to production coming on stream at Leeton. Conversely the Specialty Seafood and Joint Venture businesses showed substantial improvement on the prior year.

Gross sales excluding JV associates decreased by 8% given lower sales in cereals, biscuits and beverages and from discontinuing a number of low margin lines.

HIGHLIGHTS

Highlights for the year included:

- Commissioning cereals manufacturing at the unique gluten and nut free cereal and baked products facility near Leeton, NSW, with biscuits and bar facilities well progressed.
- Cereal and biscuit product quality improved from in-house manufacture and new Freedom Foods brand positioning and packaging developed.
- Improved contribution from the Speciality Seafood business.
- Strong growth in sales and profitability for the CBPA and A2 Dairy Products Australia joint ventures.
- Sale of FNP's interest in A2DPA in exchange for a 25% cornerstone shareholding in A2 Corporation Limited in July 2010.
- Increase in Net Profit to \$3.36m.

BUSINESS UNITS - WHOLLY OWNED

Freedom Foods

A key focus for the Company has been progressing the dedicated gluten, wheat and nut free manufacturing facility near Leeton NSW. This facility delivers capability for Freedom Foods to internally manufacture its core range of shelf stable "free from" products and provides a platform for growth through improved quality, innovation and lower costs.

During the period, commissioning of cereals manufacturing was successfully completed and expenditure on the biscuit line substantially progressed. The planned installation of breakfast/snack bar equipment was deferred until commissioning of biscuits is completed during 2011.

Sales and contribution for the year were below plan given the impact of higher input costs and pressure on margins in cereals and biscuits during the period before internal production came fully on stream. The business exited a number of non core lower margin products as well as those unable to be manufactured in a gluten or nut free environment. Almost the entire range of cereals is now produced at Leeton and show a substantial improvement in quality at lower cost than externally sourced product.

Wraps and mayonnaise showed continued growth on the prior year. Soy and rice proprietary beverages performed overall to plan with growth in the Australia's Own Organic portfolio.

Specialty Seafood

Paramount salmon and Brunswick sardine and specialty seafood products performed ahead of plan for the year.

Paramount salmon volumes were down on last year primarily due to the impact of higher purchase costs from the 2009 pink salmon catch flowing into selling prices and some changes in store gradings. Brunswick sardine volumes were also impacted by lower private label sales in New Zealand. Notwithstanding this, Paramount red salmon performed credibly including during the important Lent period and our margins on sardines increased on the prior year. In addition, our logistics cost base reduced from relocating warehousing and distribution to Leeton.

The procurement relationship with Bumble Bee Foods continues to provide competitive advantage in sourcing, quality management and NPD. The salmon and sardine fisheries from where our product is sourced are well managed and sustainable by international standards.

Thorpedo Foods (75% owned)

FNP increased its stake in the Thorpedo Foods joint venture to 75% in September 2009 at negligible cost under a prior option arrangement. Yakult Honsha, our licensee, continues to support the Thorpedo beverage portfolio in Japan with regular promotional visits by Ian Thorpe.

BUSINESS UNITS - JOINT VENTURES

A2 Dairy Products Australia

A2 Dairy Products Australia (A2DP), 50% owned during the year, continued to grow fresh milk sales and achieved an Operating EBIT of approximately \$2.6m. The growth was due to increased marketing spend, ongoing support from the grocery trade and an increasing awareness of the potential benefits of a2 milk™. New fresh milk packaging to improve shelf differentiation was introduced from December. Jalna Dairy Foods Pty Limited launched a range of A2 branded yoghourts into the grocery channel under a license deal in April.

In May, FNP announced it had entered into a Sale and Subscription Implementation Agreement with A2 Corporation Limited (A2C) under which it would exchange its 50% interest in A2DP in consideration for 120,376,950 fully paid ordinary shares in A2C, being 25% of the enlarged capital of A2C. A2C is listed on the alternative market of the New Zealand Stock Exchange and owns and commercializes intellectual property relating to a2 milk™. Completion of the transaction took place in July 2010 and FNP booked a profit on sale of around \$3.9m at that time.

The transaction is expected to provide a stable platform for the ongoing development of the business in Australia, create an integrated business model with A2C and enable FNP and its shareholders to share in A2C's growth opportunities in global markets.

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

Contract Beverages Packers of Australia Pty Ltd

Contract Beverage Packers of Australia (CBPA), 50% owned, continued its improving trend in operating and financial performance. Sales grew on the prior year by 26% from higher volumes of dairy milk, soy and rice beverages and entry into the liquid stocks sector. EBIT increased to approximately \$2m for the year which represents a very satisfactory return on capital. The improvement in this business is impressive and is expected to continue from management's focus on continuing improvement.

CAPITAL RAISING

In October 2009, the company invited shareholders to participate in a non-renounceable entitlement offer which successfully raised the full entitlement of \$6.8m through the issue of 22,775,112 additional Ordinary Shares. The capital raising demonstrates the ongoing support from our pre existing shareholders and from new investors to the growth strategy we are pursuing.

OUTLOOK

FNP has continued to take forward its "free from" functional foods strategy with the successful commissioning and integration of the unique Leeton facility and by repositioning its investment in a2 milk™ to participate in global markets in addition to Australia.

The major capital expenditure initiatives are now in place and the Board is expecting improvements in the Freedom Foods business to drive improving financial performance in the short to medium term.

As foreshadowed in the Chairman's letter, the Directors are recommending a change in company name to Freedom Foods Group Limited to better align with the purpose and refined direction of the Group.

For further information, please contact:

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