

26 February 2021

The Manager  
Market Announcements Office  
Australian Securities Exchange Limited  
Level 6, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## Appendix 4C and Quarter Ended 31 December 2020 Activity Report

Freedom Foods Group Limited (**ASX: FNP**) attaches for release to the market pursuant to listing rules 4.7B and 4.7C:

- Appendix 4C
- Quarter Ended 31 December 2020 Activity Report

Investor inquiries:

Justin Coss  
Company Secretary  
Freedom Foods Group Limited  
+ 612 9526 2555  
[justin.coss@ffgl.com.au](mailto:justin.coss@ffgl.com.au)

Media inquiries:

Clive Mathieson  
Cato & Clive  
+61 411 888 425  
[clive@catoandclive.com](mailto:clive@catoandclive.com)

*This announcement was authorised for release by the Board of Directors.*



**MAKING FOOD BETTER**

## Freedom Foods Group Limited (ASX: FNP)

### Quarter ended 31 December 2020 Quarterly Activities and 4C Report:

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#### Q2 FY21 Highlights:

This report should be read in conjunction with the Appendix 4D and 1H FY21 Financial Statements lodged with ASX on 26 February 2021.

- Total revenue for the quarter of \$158.5m was in line with prior quarter.
- Dairy and Nutritionals revenue was \$106.3m, an increase of \$6.8m or 6.9% QoQ.
- Plant-based Beverages revenue down \$5.4m or 13.4% QoQ.
- Specialty Seafoods revenue up \$0.4m or 14.6% QoQ.
- Cereals and Snacks revenue down \$2.1m or 13% QoQ.
- Positive net cash from operations of \$1.8m for the quarter.
- At the end of December 2020, the Company's cash position was \$24.3m.
- Launched company-wide transformation and operational initiatives.
- Celebrated 5th year anniversary of MILKLAB brand.
- Progressed the recapitalisation.
- Entered into binding agreement for the sale of Cereals and Snacks division.

#### Business performance

##### Dairy and Nutritionals

*A leading producer of long-life UHT dairy milk, nutritional products and performance powders*

The business has launched a transformation and operational turnaround strategy focused on number of areas, including reducing wastage, production efficiencies, removing or reducing unprofitable products, optimising milk supply and curtailing losses from the sale of surplus milk as experienced in previous periods.

##### Plant-based Beverages

*A leading producer of long-life UHT products including soy, rice and almond milk and liquid stocks*

MILKLAB sales continued to build customer loyalty as health-conscious consumers increasingly opt for plant-based beverages, particularly in the fast-growing specialty café market. Celebrating its 5th anniversary, MILKLAB is now sold in more than 8000 cafes.

##### Specialty seafoods

*A leading producer of a range of canned seafood, including sardines and salmon*

Brunswick Sardines maintained its brand leadership position in Australia and New Zealand and Paramount Salmon performed well, revenue grew 14.6% QoQ as COVID-19 continued to increase

demand for shelf stable products. COVID also disrupted global supply chains, causing stock shortages in retail.

Freedom Foods Group and its advisers continue to review all strategic options for the Specialty Seafood business, including divestment.

### **Cereals and Snacks**

Following a strategic review of Cereal and Snacks, Freedom Foods Group announced on 17 December 2020 it had entered into an agreement to sell certain assets and liabilities of the business to The Arnott's Group.

The sale includes the Cereal and Snacks manufacturing facilities in Leeton and Darlington Point in NSW and in Dandenong in Victoria, as well as brands associated with the business, including Freedom Foods, Messy Monkeys, Heritage Mill, Arnold's Farm and Barley+.

The sale does not include the important Crankt Protein brand, which has been retained and is now consolidated in the Dairy and Nutritionals business.

The sale is on target to be completed in March 2021 and will deliver estimated net proceeds of approximately \$11 million after deducting costs associated with the transaction and associated equipment leases.

### **Appendix 4C cashflow report – released with this activity report**

- Q2 Operating cash flows increased QoQ and are reflective of the improved operating performance as noted above.
- Capital expenditure investment of \$2.4m was recorded during the quarter and reflects investment in ongoing projects in Q2.
- At Q2 close, the Group had \$337.1m of available finance facilities of which \$326.9m was drawn.
- Payments to related parties and associates are steady QoQ and relate primarily to lease rental payments to the Perich Property Group and Australian Fresh Milk Holdings for milk supply.

<b>Payment to</b>	<b>Nature of Payment</b>	<b>Amount</b>
PERICH, Anthony	Directors fees	30,000
PERICH, Ronald	Directors fees	28,000
PERICH, Michael	Directors fees	187,500
BRYAN, Timothy	Directors fees	7,140
Fresh Dairy Four Pty Ltd	Milk purchases	3,742,814
Perich Property Holdings Pl	Property Lease Rentals	1,290,647
Perich Property Holdings Pl	Pallet racking charges	14,423
Perich Property Unit Trust	Property Lease Rentals	2,782,073
	Q2 2020 Total	8,082,597

Related Party receipts - Current Quarter (October 2020 to December 2020)

Payment from	Nature of	Amount
Perich Property Holdings	Sale of Pallet Racking	273,133
	Q2 2020 Total	273,133

#### Note to Market

None of the information included in this announcement should be considered individually material, unless specifically stated. All figures in this announcement are provided on an unaudited basis.

This Company presentation may include certain statements, estimates or projections with respect to the anticipated future performance of the Company, the projects or both. Those statements, estimates or projections are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may, or may not, prove correct. No representation is made as to the accuracy of those statements, estimates or projections.

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#### Investor contact:

Justin Cross Company Secretary Tel: +61 2 9526 2555 Freedom Foods Group Limited <a href="mailto:justin.cross@ffgl.com.au">justin.cross@ffgl.com.au</a>	Clive Mathieson Cato & Clive Tel: +61 411 888 425 <a href="mailto:clive@catoandclive.com">clive@catoandclive.com</a>
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The release of this announcement was authorised by a Sub-Committee of the Board of Directors.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Freedom Foods Group Limited

**ABN**

41 002 814 235

**Quarter ended ("current quarter")**

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	179,977	319,076
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(149,963)	(297,068)
(c) advertising and marketing	(2,174)	(5,944)
(d) leased assets	(5,958)	(5,227)
(e) staff costs	(5,685)	(11,618)
(f) administration and corporate costs	(8,768)	(11,024)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(5,602)	(9,694)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,827</b>	<b>(21,500)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(2,387)	(4,477)
(d) investments		
(e) intellectual property		
(f) other non-current assets	(68)	(86)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	<b>Net cash from / (used in) investing activities</b>	(2,454)	(4,563)

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	21,775	45,000
3.6	Repayment of borrowings	(10,974)	(10,418)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		(1,398)
3.10	<b>Net cash from / (used in) financing activities</b>	10,801	33,184

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	14,115	17,167
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,827	(21,500)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,454)	(4,563)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,801	33,184
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	24,288	24,288

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	24,288	14,115
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	24,288	14,115

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	7,809
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	337,124	326,907
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	337,124	326,907
7.5 <b>Unused financing facilities available at quarter end</b>		10,217
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>7.6 Loan Facilities</b>	<b>Drawn Amount \$A'000</b>	<b>Average Interest rate</b>	<b>Latest Maturity Date</b>	<b>Secured/Unsecured</b>
<b>Term loan (Note 1)</b>				
HSBC	55,700	4.45%	29-Jan-21	Secured
NAB	85,474	4.45%	29-Jan-21	Secured
<b>Recourse Debtor Finance Facilities (Note 1)</b>				
HSBC	11,783	3.57%	29-Jan-21	Secured
<b>Revolver Finance Facilities (Note 1)</b>				
HSBC	17,468	4.82%	29-Jan-21	Secured
NAB	17,468	4.82%	29-Jan-21	Secured
<b>Subordinated Financing Facilities (Note 2)</b>				
HSBC	22,500	4.82%	29-Jan-21	Secured
NAB	22,500	4.82%	29-Jan-21	Secured
<b>Equipment Finance</b>				
NAB (Note 1)	73,392	4.61%	29-Jan-21	Secured
Tetra Laval	13,122	4.50%	Jan-27	Secured
Energy Ease	5,999	6.52%	Mar-27	Secured
Dankse Bank	1,123	4.18%	Feb-24	Secured
DLL 1	59	6.05%	Feb-22	Secured
Bank of Queensland	319	4.09%	Oct-26	Secured
	<b>326,907</b>			

The Group's primary bank facilities are arranged with HSBC Bank Australia Limited (HSBC) and National Australia Bank (NAB). They include syndicated and subordinated facilities (from HSBC and NAB), equipment financing facilities (from NAB) and debtor financing facilities (from HSBC).

The Group has other bi-lateral facilities from a range of financiers including equipment finance and other general transactional banking facilities as required for the operations of the Group's business.

**Note 1:** Each of the Term Loan, Revolver Finance Facilities, Recourse Debtor Finance Facilities and NAB Equipment Finance are the subject of a standstill deed dated 9 September 2020 (Standstill Deed). Given that these facilities may be capable of being declared due and payable upon the expiry of the standstill period under the Standstill Deed, they have been classified as current and the maturity dates reference the end of the standstill period under the Standstill Deed. As at 31 December 2020, the standstill period was in place until 29 January 2021, but it has since been extended until 30 April 2021 (subject to certain milestones being achieved by 31 March 2021).

**Note 2:** On 29 January 2021, the Maturity Date for the Subordinated Financing Facilities was extended to 28 February 2021, and on 26 February 2021 the Maturity Date for the Subordinated Financing Facilities was further extended to 30 April 2021 (subject to certain milestones being met by 31 March 2021). On 4th February 2021, the Subordinated Financing Facility was increased to \$50m and on 26th February 2021 it is to be increased to \$57m.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,827
8.2	Cash and cash equivalents at quarter end (item 4.6)	24,288
8.3	Unused finance facilities available at quarter end (item 7.5)	10,217
8.4	Total available funding (item 8.2 + item 8.3)	34,505
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	N/A
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 26<sup>th</sup> February 2021

Authorised by:  .....

By a Sub-Committee of the Board