

13 December 2016

Dear Shareholder

**Freedom Foods Group Limited
Retail Entitlement Offer**

On 7 December 2016, Freedom Foods Group Limited (ASX Code: FNP) (**Freedom Foods**) announced an accelerated pro-rata non-renounceable entitlement offer of new fully paid ordinary shares in Freedom Foods (**New Shares**) at an offer price of A\$4.45 per New Share (**Offer Price**) to raise approximately A\$65 million (**Entitlement Offer**). Freedom Foods will offer eligible existing retail shareholders the opportunity to subscribe for 2 New Shares for every 25 existing Freedom Foods shares held on the record date of 7:00pm (Sydney time) on Friday, 9 December 2016 (**Record Date**).

In conjunction with the Entitlement Offer, Freedom Foods has conducted a placement of New Shares to certain institutional investors which raised gross proceeds of approximately \$10 million.

This letter is to inform you about the Entitlement Offer and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. You are not required to do anything in response to this letter.

Documents relating to the Entitlement Offer were lodged with the ASX on Wednesday, 7 December 2016.

Details of the Entitlement Offer

The Entitlement Offer is being fully underwritten by Veritas Securities Limited (**Lead Manager**). The Lead Manager has appointed sub-underwriters to sub-underwrite the Entitlement Offer including Arrovest Pty Limited (a Perich Group company which is a cornerstone investor in Freedom Foods and which is a related party of Freedom Foods) which has agreed with the Lead Manager to sub-underwrite up to \$44.8 million of any shortfall, if any (ie. any New Shares not taken up under the Entitlement Offer by Eligible Retail Shareholders).

The New Shares issued under the Entitlement Offer will comprise 14,612,918 New Shares.

The funds raised under the Entitlement Offer will be used to fund the Company's growth strategy including the following key initiatives:

- Proposed acquisition of Australian Consolidated Milk's (**ACM**) 50% interest in Pactum Dairy Group (**PDG**);
- Proposed acquisition of a Sports and Adult Nutrition brand;



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- Proposed acquisition of a controlling interest in a North American based Cereal and Snacks company;
- Proposed investment in Australia's Own Dairy Company China (**AO China**); and
- Providing additional balance sheet flexibility for future growth opportunities including the capital expenditure initiatives which are ongoing in relation to product and capability expansion at our Shepparton, Ingleburn and Dandenong facilities.

Further details of these initiatives are set out in the announcement and investor presentation released by Freedom Foods on the ASX on 7 December 2016.

The Entitlement Offer comprises an offer to eligible institutional shareholders (**Institutional Entitlement Offer**) and an offer to Eligible Retail Shareholders to subscribe for New Shares at the same Offer Price and offer ratio (**Retail Entitlement Offer**). The Entitlement Offer is being made pursuant to section 708AA of the *Corporations Act 2001 (Cth)* (**Corporations Act**), as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84, meaning that no prospectus needs to be prepared in relation to the Entitlement Offer.

The Institutional Entitlement Offer has already been completed and raised approximately A\$52 million.

The Retail Entitlement Offer is being made to Eligible Retail Shareholders, on the basis of 2 New Shares for every existing 25 Freedom Foods shares held as at the Record Date. An offer booklet in relation to the Retail Entitlement Offer (**Retail Offer Booklet**) will be despatched to Eligible Retail Shareholders on or around Tuesday, 13 December 2016.

Eligibility Criteria

Freedom Foods has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A of the Corporations Act, that it would be unreasonable to make offers to shareholders in all countries in connection with the Retail Entitlement Offer. This determination was made due to legal limitations on making or extending an offer of New Shares in some countries, the relatively small number of shareholders in those countries, the small number of shares they hold and the potential cost of complying with regulatory requirements in those countries.

Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3) of the Corporations Act, Freedom Foods wishes to advise you that it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer.

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are shareholders who:

- are registered as holders of existing Freedom Foods shares as at the Record Date, being 7:00pm (Sydney time) on Friday, 9 December 2016; and
- were not invited to participate (other than as nominee in respect of other underlying holdings) in the Institutional Entitlement Offer and were not treated as ineligible institutional investors under the Institutional Offer; and
- as at the Record Date, have a registered address in Australia or New Zealand; and

- (d) are not in the United States and are not acting for the account or benefit of a person in the United States; and
- (e) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

All other retail shareholders are not eligible to participate in the Retail Entitlement Offer (**Ineligible Retail Shareholders**).

Unfortunately, as you do not satisfy the eligibility criteria for an Eligible Retail Shareholder stated above, you will not be able to subscribe for New Shares under the Retail Entitlement Offer. You will not be sent documents relating to the Retail Entitlement Offer.

Nominee for Ineligible Retail Shareholders

The Entitlements in the Retail Entitlement Offer are non-renounceable and cannot be sold by any Shareholder. However, pursuant to section 615 of the Corporations Act and for the purposes of Listing Rule 7.7, Freedom Foods has appointed Pershing Australia Nominees Pty Ltd as the nominee (**Nominee**) to arrange the sale of the New Shares that Ineligible Retail Shareholders would have been offered under the Retail Entitlement Offer had they been eligible to participate. Under the arrangement with the Nominee, Freedom Foods will issue to the Nominee the New Shares that Ineligible Retail Shareholders would have been offered under the Retail Entitlement Offer had they been eligible to participate and the Nominee will then attempt to sell those New Shares.

The Nominee has been approved by ASIC and the Nominee is aware of the terms on which ASIC has granted this approval.

The Nominee will have the absolute and sole discretion to determine the timing, the price at which the New Shares may be sold and the manner of such sale. The net proceeds above the Offer Price (in Australian dollars), if any, of the sale of the relevant New Shares will be distributed to the Ineligible Retail Shareholders pro rata in proportion to their respective shareholdings as at the Record Date (after deducting for costs, including the costs of the sale and the costs of distributing the proceeds). There is no assurance that the Nominee will be able to sell the New Shares issued pursuant to the Ineligible Retail Shareholders' Entitlements at an offer price that will result in Ineligible Retail Shareholders receiving any net proceeds for their Entitlements such that Ineligible Retail Shareholders may receive no value for their Entitlements.

Neither Freedom Foods nor the Nominee will be subject to any liability for failure to sell the New Shares that would have been offered to Ineligible Retail Shareholders or to sell them at a particular price.

Notwithstanding that the Nominee must sell the New Shares, Ineligible Retail Shareholders, may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

Shareholder Enquiries

If you have any queries regarding the Retail Entitlement Offer, or if you believe you are an Eligible Retail Shareholder, please call the Freedom Foods Offer Information Line on 1300 420 709 (within Australia) and +61 1300 420 709 (outside Australia) 8:30am to 5:30pm (Sydney time), Monday to Friday, during the Retail Entitlement Offer period.

On behalf of the Board and management of Freedom Foods, thank you for your continued support.

Yours sincerely



Rory J F Macleod
Managing Director
Freedom Foods Group Limited

Important Information

This letter is used by Freedom Foods. This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in Freedom Foods in any jurisdiction. This letter does not constitute financial product advice and has been prepared without taking account of the investment objectives, financial situation or needs of any particular investor. This letter does not and will not form any part of any contract for the acquisition of Freedom Foods shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be illegal. Neither the entitlements nor the New Shares referred to herein have been, nor will be, registered under the U.S Securities Act of 1933, as amended (US Securities Act). Accordingly, the entitlements may not be exercised by and the entitlements and New Shares may not be offered or sold to, persons in the United States or to persons that are acting for the account or benefit of persons in the United States unless they have been registered under the US Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities law.

No documents relating to the Retail Entitlement Offer may be sent or distributed, in whole or in part to persons in the United States or to persons that are acting for the account or benefit of any person in the United States.