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ASX ANNOUNCEMENT

15 February 2017

Inghams Group Limited Half Year Financial Results FY2017

Inghams Group Limited (ASX: ING, Ingham's), Australia and New Zealand's largest integrated poultry producer today announced its financial results for the half year ending 24 December 2016 (1H FY2017).

Financial Results (and comparison to 1H FY2016)

- Poultry volumes of 248kt, increased 12.9%
- Pro forma Revenue of $1,227.2m, increased 4.3%
- Pro forma EBITDA of $95.2m, increased 9.1%
- Pro forma NPAT of $51.3m, increased 13.8%
- Statutory NPAT of $9m, decreased 54%
- Pro forma Net Debt of $403.4m, a decrease from net debt level at listing
- 'Stub' Dividend (fully franked) of 2.6cents per share

Note: A reconciliation from Statutory NPAT to pro forma NPAT is included in the Appendix.

Key Highlights

- First half performance in line with prospectus forecasts
- Strong volume growth in Australia driven primarily by Retail and QSR customers
- Results delivered despite challenging New Zealand market conditions, driven by oversupply
- Project Accelerate initiatives delivering as expected
    - first phase automation projects operational in Primary Processing plants
    - closure of the Cardiff plant in NSW complete, and volumes transferred
    - good progress on labour efficiency, procurement and other initiatives
- Continued progress in extending key customer contractual coverage
- Further investment in capability – operations, category, marketing and new product development (NPD) resources
- Capital investment in capacity and efficiency on track, with activity peaking in 1H
    - commissioned South Australia hatchery and breeder expansions

Inghams Group CEO Mick McMahon said, "The results for the Group are in line with prospectus forecasts and reflect strong demand for Ingham's quality products, with our customers continuing to invest in chicken as the healthy and competitive protein."

At a Group level total poultry volumes increased 12.9% for the period (9.0% for core chicken and turkey lines, excluding ingredients), with stronger than expected growth in Australia, driven primarily by growth in Retail and QSR customer segments as demand for chicken continues to grow compared to other animal proteins given its affordability and versatility.

New Zealand volumes were flat in a challenging market, driven by reduced industry export volumes translating to domestic oversupply.

Group Revenue increased 4.3% as a result of the increased volumes, feed cost deflation and changes in sales mix.

Gross Profit increased 9.0% to $229.0M driven by volume growth and good progress on implementation of Project Accelerate initiatives covering automation, labour productivity, procurement, network rationalization and other initiatives. The program continues on schedule and the benefits are being realized in line with our expectations in the prospectus forecast.

Pro forma EBITDA increased 9.1% to $95.2m for the half, while pro forma NPAT increased 13.8% to $51.3m.

Statutory NPAT was $9m reflecting the costs of IPO and restructuring initiatives previously disclosed.

While cash flow improved and inventory levels reduced for the half, working capital increased due to revenue growth and the timing of the half year close impacting receivables, in line with expectations.

Net Debt reduced from the level at listing to $403.4m, despite capital expenditure peaking in the half, and is expected to reduce further by end FY17.

Significant investment continues to be made in capacity expansion and capability, with the first stage of Project Accelerate automation initiatives now complete. In South Australia, the expanded Murraylands hatchery is operational, the addition of breeder capacity is progressing to schedule and work has commenced on the construction of a new feed mill.

The company has continued to strengthen key areas of operations, marketing, category management and NPD in support of its strategy.

The Board declared a fully franked 'stub' dividend of 2.6 cents per share (record date 10 March 2017, payment date 5 April 2017). The dividend represents 65% of post IPO NPAT.

"It has been a very busy period with strong volume growth, implementation of major changes and significant capital investment, all occurring while transitioning to a publicly listed company. It is pleasing to see the progress made reflected in improved financial performance," said Mr. McMahon.

FY2017 Outlook

The company reconfirms that its FY17 prospectus forecast of $98.8M pro forma NPAT is expected to be achieved based on the current trading outlook.

Australian volume growth is expected to moderate as we cycle a number of EDLP initiatives by customers in the second half, and will be broadly in line with the prospectus forecast for the full year.

Progress continues on extending key customer contractual coverage. One key QSR customer agreement remains under negotiation.

New Zealand trading conditions are likely to continue in the second half.

Project Accelerate implementation and investment is continuing and expected to contribute to earnings growth over future years. Capital expenditure will reduce in the second half.

Pro forma net cashflow expected to be in line with prospectus forecast, reflecting strong second half cashflow, further reducing net debt and leverage.

The company reconfirms its intention to pay fully franked dividends of 65 – 70% of pro forma NPAT.

Ends.

About Ingham's

Ingham's is Australia and New Zealand's leading integrated poultry producer supplying leading retail, quick service restaurant and food service customers, processing 4 million birds per week and employing more than 8,000 people. Ingham's operations include 10 feedmills, breeder and boiler farms, 11 hatcheries, seven primary processing plants, seven further processing plants and nine distribution centres. Ingham's was founded in Sydney in 1918 by Walter Ingham and listed on the Australian Stock Exchange in November 2016.

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Appendix

Reconciliation of Statutory results to pro forma

$ millions		1H FY2017	1H FY2016
Statutory EBITDA		**61.5**	**63.0**
IPO transaction costs	1	28.0	-
Advisory fees	2	1.2	1.6
Write off previous LTI scheme	3	2.2	1.7
Transformation & relocation costs	4	3.3	22.1
Full period public company costs	5	(1.0)	(1.1)
Pro forma EBITDA		**95.2**	**87.3**
Statutory NPAT		**9.0**	**19.6**
IPO transaction costs	1	19.6	-
Advisory fees	2	0.8	1.1
Write off previous LTI scheme	3	2.2	1.7
Transformation & relocation costs	4	2.3	15.5
Full year public company costs	5	(0.8)	(0.8)
Cost of exit from finance facilities	6	12.6	-
Capital structure adjustment	7	4.5	8.0
Tax adjustments	8	1.1	-
Pro forma NPAT		**51.3**	**45.1**

1. Removal of costs of listing on ASX in November 2016
2. Relates to fees for services charged by TPG entities that will not be incurred post listing
3. Relates to the remaining share based payments expense to be recognized in FY17 relating to the previous LTI scheme
4. Consulting and other costs in relation to the transformation program and the costs relating to the relocation of head office incurred in FY16
5. Adjustment to include a full period of public company related costs and replacement LTI scheme
6. Payment for the early termination of interest rate swap contracts and write off of deferred borrowing costs resulting from refinancing as part of the listing
7. Adjustment to reflect the interest and financing costs for the capital structure in place as a result of the listing
8. Adjustments to normalise certain tax related charges half on half