



ABN 98 084 370 669

January 18, 2017
ASX Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

YOWIE DELIVERS 44% YOY NET SALES GROWTH IN THE DECEMBER QUARTER

Yowie Group Ltd (ASX: YOW, OTC ADR: YWRPY) (the “**Group**” or “**Yowie**”) wishes to advise that for the Quarter Ending December 31, 2016, the Group has delivered 44% Net Sales revenue growth versus Q2 2016.

Highlights of the financial results for the second quarter for fiscal 2017 include:

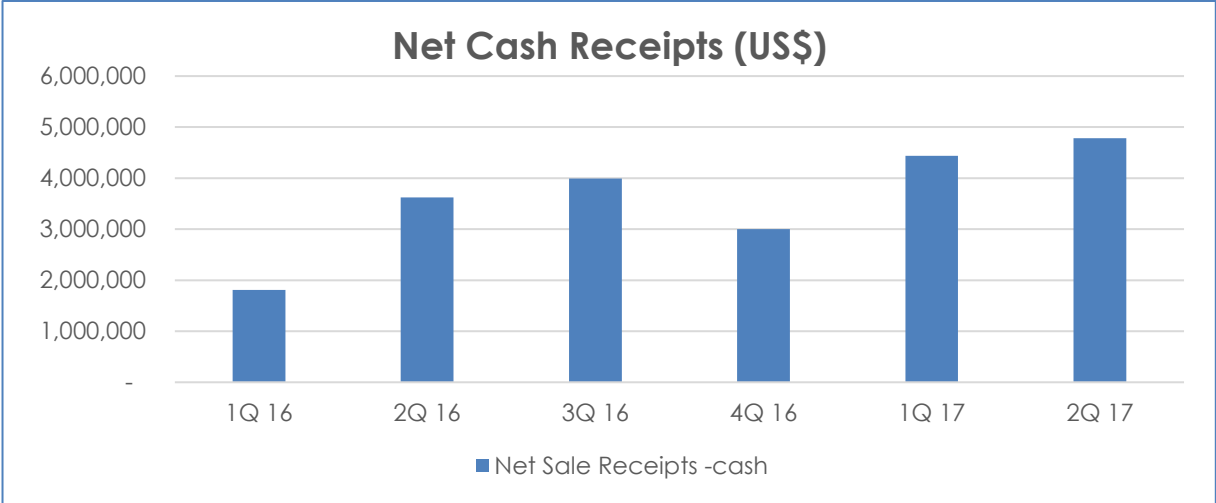
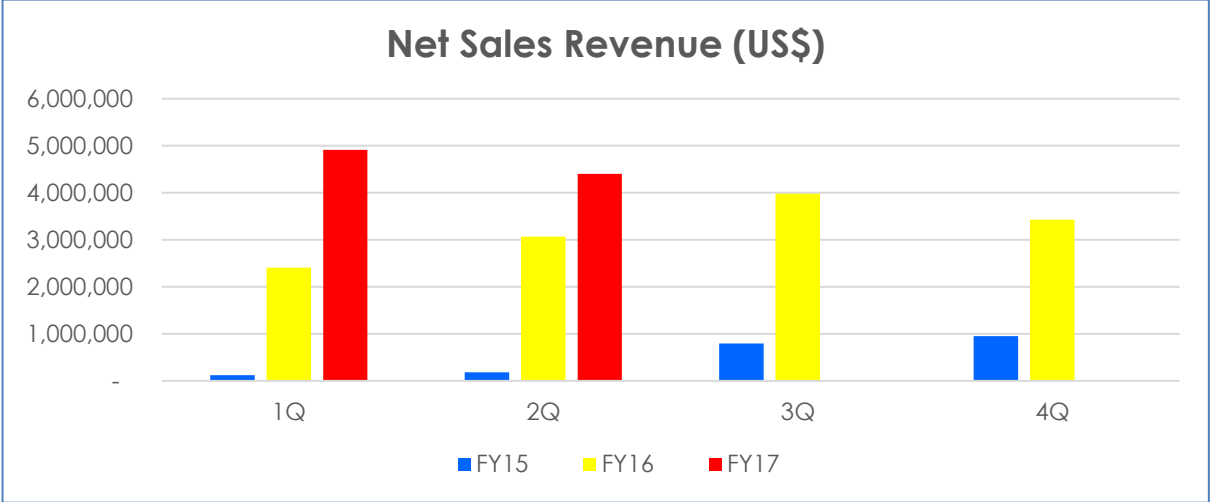
- **Net Sales reached US\$4.4M, an increase of 44%, versus prior year Q2**
- **1H FY17 Net Sales reached US\$9.3M, an increase of 70%, versus 1H FY16**
- **Closing cash balance of US\$28.9M with no debt, from US\$30.5M**
- **Manufacturing interruption adversely affected sales order fulfillment during the quarter as noted under Manufacturing Operations below**
- **Achieved positive market share results in US, reaching xAOC (™eXtended All Outlet Combined) market share of 0.95% resulting from higher distribution, an increase versus 0.70% over the Nielsen measure reported in Q1 FY17**
- **Successfully executed Pre-Holiday marketing campaign resulting in 18.6 million views on Facebook and YouTube positively influencing Yowie’s brand awareness in the US market**
- **Partnership Agreement signed with the World Conservation Society, a world-renowned and respected leader in endangered species and environmental conservation for over 100 years**
- **Doubled packaging capacity with the commissioning of an additional wrapping line to help drive our growth and expansion**

Head Office
Yowie Group Ltd
Level 4, 216 St Georges Terrace
Perth WA 6000

PO Box 7315, Perth WA 6850
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“I am very pleased to report another material growth quarter with Net Sales of US\$4.4M”, Overall, the 44% Net Sales growth was below our expectations for the quarter due to both planned and unplanned production downtime, as well as starting the quarter with lower than desired inventory levels. **As we ended the quarter, our manufacturing operations were running at full throughput which will enable us to build safety stocks going forward and support strong growth in the remainder of fiscal 2017**”, said Wayne Loxton, Executive Chairman of Yowie Group.



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Our financial results for the quarter reflect investments we are making in market expansion, senior executive talent, selling and marketing/advertising as well as the impact of equity based compensation for our executive team, and a loss/gain on foreign exchange translation. From a cash flow perspective, net operating cash outflow was US\$0.45M in the quarter reflecting cash receipts of US\$4.7M, offset by raw material purchases and operating costs of US\$2.5M, marketing costs of US\$1.0M, and staff, administrative and corporate costs of US\$1.9M.

On a year to date basis, for the six months ending December 31, 2016, Net Sales were US\$9.3M, a 70% growth over the comparable period in 2016. Gross margin for the six month period in 2017 was 53% versus 52% in the comparable period in 2016, reflecting lower costs of our current manufacturing partially offset by costs incurred in Q2 2017 resulting from manufacturing interruption of approximately 100 basis points.

Other highlights for the quarter:

US Sales & Distribution:

The USA market share for Yowie continued to improve in the quarter as we placed in-store merchandising during the holiday period and also added new accounts. We made good progress in the important Convenience class of trade reaching 6.5% ACV versus Q1 at 4.3%. We also initiated sales in one of the major Dollar Store retailers, further penetrating channels with significant store numbers and geographic footprint. It is worth noting that US Dollar stores sell many items above \$1.00 which is also true for Yowie product.

In Nielsen market share data for the 52 week ending December 31st, 2016 xAOC (™eXtended All Outlet Combined), which includes Food, Drug, Mass, Dollar, Club and excludes Convenience, Yowie reached 0.95% (from 0.7% in 1Q FY17) share with Yowie continuing to be the number 1 selling item. This Nielsen data reflects Yowie share of the total front of store Chocolate segment, normally referred to as instant consumables (single serve). Yowie was once again a top 10 selling item in both Drug and Convenience, although we are still in early stages with distribution in these important channels.

Finally, in our largest customer we were the number 1 selling Novelty Item and the number 4 chocolate selling item on the front end. During the quarter we

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continued to add new accounts including: Winco Foods, Shaw's Market and partial roll-out at Kroger and Target stores. We continued to place merchandising units during the Holiday season, adding to our point of purchase strategy.

Manufacturing Operations:

A frustrating 'perfect storm' of events impacted manufacturing in December, negatively impacting a stronger sales finish to the Quarter. Interruption to manufacturing included: a two-day local area power outage due to storm damage, longer than anticipated commissioning of the second packaging line, a critical part breakage on the original Yowie wrapper, and interruption to the computer software program on the chocolate moulding line. Order fulfillment was negatively affected by these events while inventory was at its lowest due to peak season sell in and lower than desired starting inventory following our 100% growth in Q1. Delivery into key distribution warehouses is tightly managed by customer allocated time slots during this peak pre-Holiday period forcing Yowie to forfeit several customer allocated delivery windows.

The planned and unplanned production shutdowns as described above during the commissioning of the new Yowie foil wrapping line resulted in less than expected output during the quarter. However, we ended the quarter with the second wrapper fully commissioned and we are now back to producing at normal production levels, which will allow us to provide reliable customer service levels and rebuild safety stocks going forward.

Gross margin for the quarter came in at a strong 53% including the impact of the second Wrapper line commissioning. We continue to make progress on implementing cost efficiencies at the plant and believe we can deliver up to USD\$500K savings in fiscal 2017.

US Marketing:

During the quarter, we executed a Yowie Pre-Holiday marketing campaign including national social media plus TV advertising in San Antonio and Chicago. Sell-through of the Yowie 'All American' series has increased more than 103% compared to the same period in 2015 at the same locations. Brand awareness saw an increase of more than 30% 'Likes' to the Facebook page within the campaign period confirming the importance of social media to Yowie targeted

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demographics. The Yowie World social feeds also achieved significant milestones with over **17 Million** combined 'Views' on the **Yowie World Official** YouTube channel and **18.6 Million** 'Views' on **Yowie World Official** Facebook.

Overall, we are pleased with our initial results from the Yowie Pre-Holiday marketing campaign and will continue to invest behind brand building and raising brand awareness in fiscal 2017. Our plans continue to include strong marketing investment in the Pre-Easter period.

Natural World Partnership:

One of the most important and unique aspects of Yowie is our commitment to furthering responsible actions and bringing education to our consumers regarding the Yowie Mission to "Save the Natural World". In support of the Yowie Mission, in Q2 Yowie entered into a Partnership Agreement with the Wildlife Conservation Society, (WCS), to co-design a future Yowie WCS collectible series. Through this collaboration, Yowie will provide much needed funding to WCS to support activities through-out the world to save endangered species and other conservation efforts. We are very proud to begin this association with WCS, a world leading organization with an over 100 year history in saving endangered species and wild places.

Current Quarter & Outlook:

"Despite the manufacturing events, Q2 has been another strong quarter for Yowie North America as well as seeing continued progress against our five key strategic pillars. We are pleased with our initial brand building marketing investment and are working on bringing further innovations to the market, which we will share in detail in the coming months. Consumer demand remains strong and based on our results to date, we continue to believe we will double our revenue in fiscal 2017", said Bert Alfonso, Group Global CEO.

In conclusion, "I am pleased with Yowie Group's performance in Q2, despite temporary manufacturing challenges", said Wayne Loxton, Executive Chairman. "We continue to execute against our key strategies, gaining momentum in the important US market, and moving forward on international expansion".

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Yours sincerely

Wayne Loxton
Executive Chairman
Yowie Group Ltd

About Yowie

Yowie Group Ltd is a global brand licensing company specializing in the development of consumer products designed to promote learning, understanding and engagement with the natural world through the adventures and exploits of six endearing Yowie characters. Educating children and adults about the environment and ecology is at the heart of the Yowie proposition.

Yowie Group employs its company-owned intellectual property rights in the outsourcing of the manufacturing and distribution of the Yowie chocolate confectionery product and in the development of a Yowie digital platform and Yowie branded licensed consumer products. The Company's vision for the Yowie brand includes distribution of Yowie product in North America, with further expansion planned into Australia, New Zealand and throughout Asia, where the Yowie brand is known and brand equity remains strong, even with the brand not having been active in the market for around ten years. Expansion into Europe and the Middle East are key strategic priorities for a second-stage brand rollout.

Yowie Group Ltd was first listed on the Australian Securities Exchange www.asx.com.au in December 2012 under code name 'YOW'. The Company's registered head office is in Perth, Western Australia.

For more information on the company go to www.yowiegroup.com
The Yowie consumer website can be found at www.yovieworld.com

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

YOWIE GROUP LTD	
ABN	Quarter ended ("current quarter")
98 084 370 669	31 December 2016

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers ¹	4,783	9,222
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs ²	(2,470)	(5,943)
(c) advertising and marketing	(1,024)	(1,915)
(d) leased assets	-	-
(e) staff costs	(910)	(1,750)
(f) administration and corporate costs	(947)	(1,908)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	120	155
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(13)	(43)
1.7 Government grants and tax incentives	-	-
1.8 Other (royalty income)	3	5
1.9 Net cash from / (used in) operating activities	(458)	(2,177)

¹ Receipts from customers are net of trade discounts and volume rebates.

² Decreased in product manufacturing and operating costs in current quarter compared to previous quarter was mainly attributed to continuous effort by the company to achieve efficiency in production costs. Operating costs also include freight and storage, brokerage, royalties and commissions.

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(324)	(289)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property (product development costs for intangible assets)	(64)	(135)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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)	(8)	(8)
2.6 Net cash from / (used in) investing activities	(396)	(432)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	30,501	31,693
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(458)	(2,177)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(396)	(432)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(752)	(189)
4.6 Cash and cash equivalents at end of quarter	28,895	28,895

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 \$US'000	Previous quarter \$US'000
5.1 Bank balances	18,819	12,943
5.2 Call deposits	10,076	17,558
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	28,895	30,501

6.	Payments to directors of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to these parties included in item 1.2	146
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments include:

- Payments of directors' fees to directors

7.	Payments to related entities of the entity and their associates	Current quarter \$US'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9.	Estimated cash outflows for next quarter	\$US'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	3,500
9.3	Advertising and marketing	1,500
9.4	Leased assets	-
9.5	Staff costs	925
9.6	Administration and corporate costs	950
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	6,875

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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.

Sign here: N J Bassett..... Date: 18th January 2017
(Company secretary)

Print name: Neville Bassett.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.