

ASX/Media Release

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Australian Securities Exchange
20 Bridge St
Sydney NSW 2000

BOARD AND LEADERSHIP RENEWAL AND RESTRUCTURING UPDATE

Freedom Insurance Group Limited (ASX: FIG) ('Freedom') advises management and director changes to ensure the composition of the Board continues to reflect the changing governance requirements of the company.

The Freedom Board has appointed Ms Pauline Vamos as a non-executive director of the company.

As Ms Vamos is being appointed to fill a casual vacancy, confirmation of her appointment as a director will be sought from shareholders at the 2018 Annual General Meeting on 15 November 2018.

In this regard, Freedom wishes to advise that an additional resolution (Item 4: re-election of Ms Pauline Vamos as director) will be put to the AGM as follows:

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

"That Ms Pauline Vamos, a director appointed by the directors and who retires in accordance with clause 49.1 of the Company's Constitution, and being eligible offers herself for re-election, is re-elected as a director of the Company."

Following shareholder confirmation of Ms Vamos' directorship, she will assume the role of Chairman of the Board.

Ms Vamos has over 30 years' experience in the insurance and financial services industry and is a qualified lawyer. She is currently a non-executive director of Mercer Superannuation Trust and Decimal Software Ltd (ASX code: DSX).

Ms Vamos will bring to Freedom highly relevant experience in life insurance, regulatory, compliance and risk frameworks and governance. This will provide invaluable support to the Board and management in addressing regulatory matters, completing the company's strategic review and implementing its outcomes, while ensuring the company's governance framework is appropriate for its changing business, as well as the regulatory backdrop.

Non-executive director Ms Katrina Glendinning has resigned as a director effective today and Mr David Hancock has advised he will resign as director effective at the conclusion of the 2018 Annual General Meeting, to allow them to focus on their executive management commitments at other companies.

In this regard, Freedom withdraws Item 3 of the 2018 Notice of Annual General Meeting, relating to Ms Glendinning's re-election. The Board thanks Ms Glendinning and Mr Hancock for their service.

Mr Stephen Menzies and Mr Andrew Jensen will continue as non-executive directors.

Freedom Chief Executive Officer, Mr Craig Orton, has advised his intention to leave the company for personal reasons prior to the end of this calendar year. The Board thanks Mr Orton for his efforts through the recent difficult period.

The Board is pleased to announce the appointment of Mr Sean Williamson as CEO, effective from Mr Orton's departure date. Mr Williamson has 25 years' experience in the life insurance industry in a broad range of roles encompassing technical, distribution, strategy and general management, including 10 years in senior leadership at Australia's largest life insurer, TAL.

Mr Williamson is currently consulting to Freedom and will continue in this capacity until Mr Orton's departure to ensure a smooth leadership transition.

Strategic review and business restructure

Following the release of ASIC's report on the direct sale of life insurance on 30 August 2018, Freedom launched a Strategic Review, with the assistance of Deloitte, to examine the Freedom business structure and operating model with the aim of protecting and maximising shareholder value in light of the ASIC recommendations and expectations.

To preserve shareholder value following these substantial regulatory changes, on 2 October 2018 Freedom announced the suspension of sales and restructuring of operations to focus on the maintenance and servicing of existing policy holders, while examining options for the business.

Freedom has reduced its staff to approximately 90 employees and decreased other operating costs to align them with reduced activities and sales level.

As previously advised, the reduction in annual salary cost from these changes is expected to be approximately \$12 million. In addition, annual operating expenses are expected to decline in other areas by approximately \$15 million. Restructuring costs are estimated at approximately \$5 million. This phase of the business restructure and cost reduction is substantially complete.

Having regard to management accounts to date and anticipated results for the remainder of the half year, Freedom expects that for the six months ended 31 December 2018 it will record an EBITDA loss of between approximately \$7 million and \$8 million, including restructuring costs.

With its Strategic Review nearing conclusion, Freedom continues to work with Deloitte and Aura Capital in assessing options for the business. This work includes progressing the St Andrew's acquisition, which the Board continues to believe is in the best interests of shareholders. The acquisition is seen as an opportunity to enhance the Freedom business model and operating capability as well as re-establish a growth path for the company.

Freedom confirms that it continues to consider the most efficient funding mix, including equity capital, and operating structure for the acquisition.

Freedom further advises that it will consider the sale of its non-core Spectrum Wealth Advisers business.

The Board is of the view that significant value remains within the company, including:

- a large in-force book;
- administration and customer service operations to support these policies;
- relationships with business partners; and
- the St Andrew's opportunity.

Freedom agrees with ASIC's view that life insurance plays a crucial role in helping consumers manage unexpected events and protect themselves and their families against financial difficulties.

In this regard, the Board believes there continues to be opportunities for the company to deliver shareholder value through servicing its existing customer base well and ongoing participation in the industry.

ENDS

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