



Patties Foods Ltd
ABN 62 007 157 182

Operations

161-169 Princes Highway
Bairnsdale VIC 3875
PO Box 409
Bairnsdale VIC 3875
Phone: 03 5150 1800
Admin Fax: 03 5152 1135
Sales Fax: 03 5152 1054
info@patties.com.au
www.patties.com.au

Corporate Office

Chifley Business Park
Level 2, 1 Joseph Avenue
Mentone VIC 3194
PO Box 115
Dingley VIC 3172
Phone: 03 8540 9100
Fax : 03 9551 3393
Info@patties.com.au
www.patties.com.au

23 August 2010

Announcements Officer
Company Announcements Office
Australian Stock Exchange Limited
South Tower, Rialto
525 Collins Street
MELBOURNE VIC 3000

Patties Foods Limited (PFL) - Full Year 2010 Results Analyst Briefing

Please find attached, the analyst briefing regarding PFL's full year results for the period ended 30 June 2010.

The information contained in this announcement should be read in conjunction with the announcement on 23 August 2010 of PFL's year end report announcement, Appendix 4E and financial report for the year ended 30 June 2010.

Yours faithfully

A handwritten signature in black ink, appearing to read "Philip W Thomas".

PHILIP W THOMAS
Company Secretary

For further information refer to www.patties.com.au or contact:
Greg Bourke, Managing Director
03 8540 9100.



For personal use only



The Leading Australian Owned Branded
Frozen Food Company

FULL YEAR RESULT 2010

Analyst Briefing

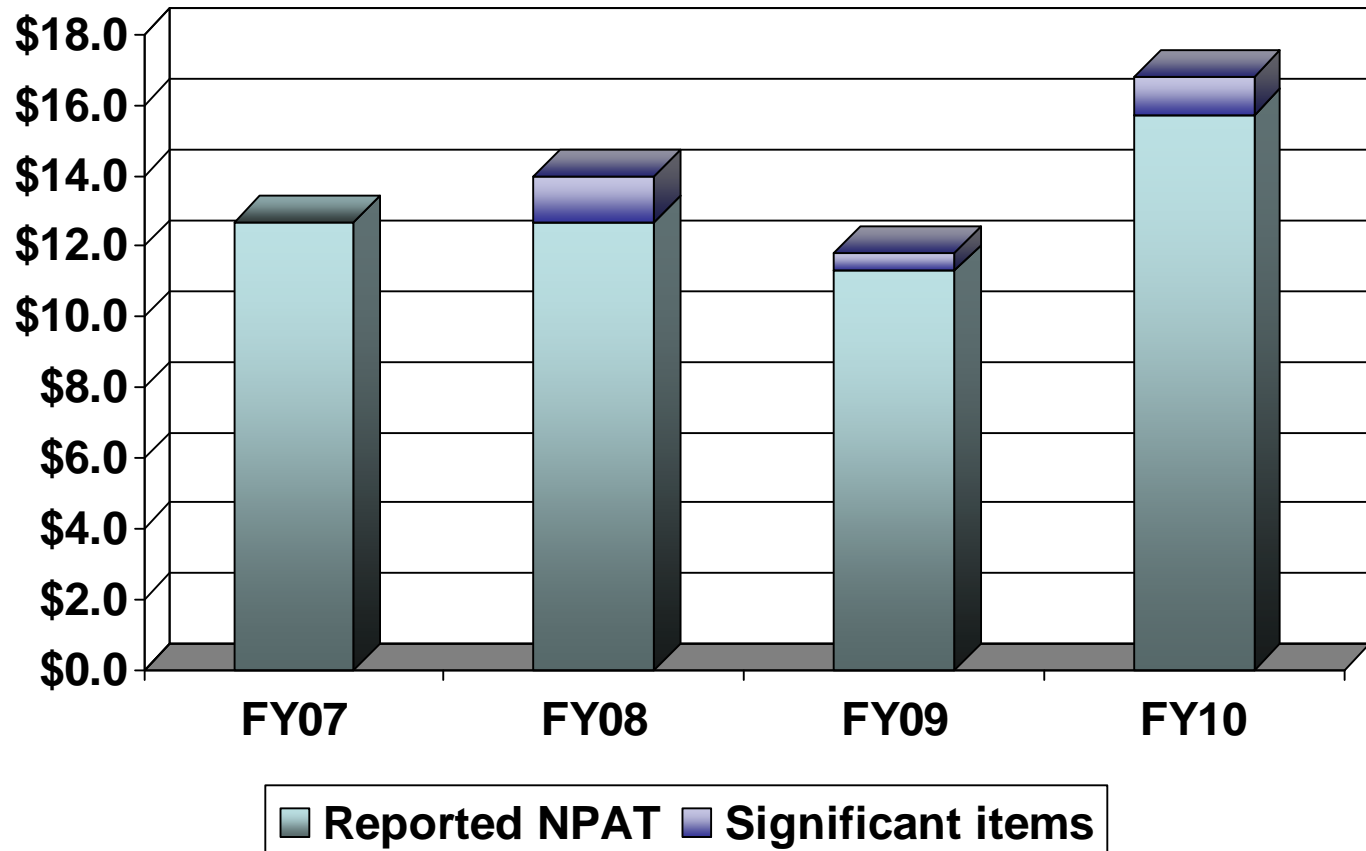
C.E.O.

Greg Bourke

C.F.O.

Michael Knaap

Strong turnaround to achieve a record profit.



- Underlying NPAT \$16.8m - up by \$5.0m (42.2%) on pcp.
- Underlying EBIT \$27.2m - up by \$6.2m (29.3%) on pcp.



The Leading Australian Owned
Branded Frozen Food Company

Financial Highlights

- Increased revenue of 9.9% made up of:
 - 17.1% increase in Out-Of-Home sales and
 - 8.2% increase in branded In - Home retail sales.
- Underlying EBIT margins to sales improved from 11.8% to 13.8%.
- Improved result of Davies JV - NPAT contribution \$325k (\$96k pcp)
- Strong operating cash flow of \$22.1m – up by \$8.9m (67.4%) on pcp.
- Net debt reduced by \$6.6m to \$62.8m at 30 Jun 2010.
- Improvement in the net debt to equity ratio to 52.7% at 30 Jun 2010 – down from 62.4% at 30 Jun 2009.
- Final dividend of 3.5 cps fully franked taking the total FY10 fully franked dividend to 6.5 cps – up by 2 cps (44.4%) on pcp.
- Underlying Return on Equity increased to 14.0% pa up from 10.6% pa pcp.



Operational Highlights

- Strong growth in branded sales through significant increase in new products and range extension, even with the slump in total market retail sales in Q3.
- Strong growth in Out Of Home channels from increased ranging, distribution and new customers, including new fruit pie products.
- Restructured and strengthened sales function to more closely align the sales operation to strategic direction.
- Improved manufacturing efficiencies to reduce conversion costs driven by a collaborative workforce committed to Continuous Improvement.
- Successfully closed Silverwater frozen fruit site with the operation transferred to Bairnsdale capturing ongoing cost reductions.
- Successful commissioning of new plant to increase capacity in both savoury and fruit pie lines.
- Improved safety result with less injuries and reduced injury costs.
- Successful completion of Project Angus with launch in late Q4.
- Implementation of incentive schemes aligned to strategic and short term goals with over 340 people achieving part or full incentive payments.
- Induction of key people including Head of Sales, National Foodservice Sales, Regional Sales Managers, Procurement and Engineering.



FY10 Financial Performance

	(\$m)	Jun-10	Jun-09	+/-	%
<ul style="list-style-type: none"> Underlying EBIT margins to sales improved from 11.8% to 13.8% highlighting <ul style="list-style-type: none"> Strong Sales Growth Improved Manufacturing Efficiencies Economies of Scale 	Net Sales Revenue	196.9	179.2	+17.7	+9.9%
	Cost of Good sold	118.8	110.9	+7.9	+7.1%
	Gross margin	78.1	68.3	+9.8	+14.3%
	Operating expenses	45.0	41.2	+3.8	+9.2%
<ul style="list-style-type: none"> Gross margin improved to 39.7% from 38.1%. 	EBITDA (underlying)	33.1	27.1	+6.0	+22.3%
	Depreciation & Amort.	5.9	6.1	-0.2	-2.6%
<ul style="list-style-type: none"> Interest down by \$600k from reduced debt levels. 	EBIT (underlying)	27.2	21.0	+6.2	+29.3%
	Interest	4.6	5.2	-0.6	-12.4%
<ul style="list-style-type: none"> Effective tax rate of 25.6% reflects investment in R & D and investment allowance incentives. 	NPBT (underlying)	22.6	15.8	+6.8	+43.3%
	Tax	5.4	4.0	+1.4	+35.5%
<ul style="list-style-type: none"> Significant items include relocation of frozen fruit facility to Bairnsdale and sales management restructure in 1H. 	NPAT (underlying)	16.8	11.8	+5.0	+42.2%
	NPAT (reported)	15.7	11.3	+4.4	+39.7%
	EPS (reported)	11.3	8.1	+3.2	+39.5%
	EPS (underlying)	12.1	8.5	+3.6	+42.4%
	ROE (underlying)	14.0%	10.6%	+3.4%	+32.1%
	ROCE (underlying)	14.5%	11.4%	+3.1%	+27.2%
	Net Asset Backing (cents)	86	80	+6.0	+7.5%
	DPS (cents)	6.5	4.5	+2.0	+44.4%



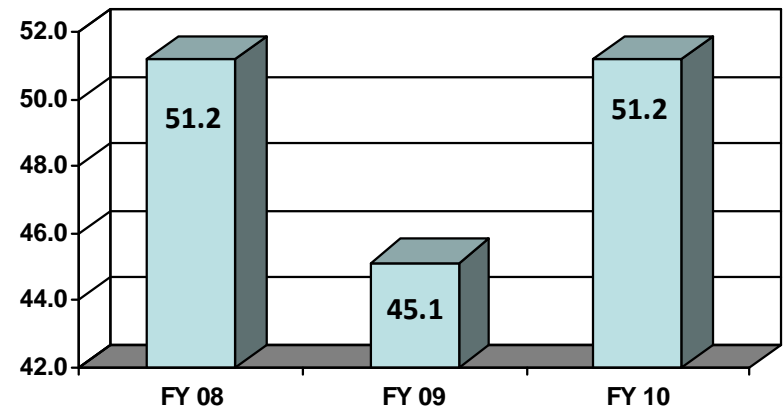
In FY10 PFL further progressed the Building the Base phase of the strategy.

	Initiative	Outcome
Operational improvements	<p>Improve production efficiency.</p> <p>Integrate Silverwater (frozen fruit) repacking operation to Bairnsdale.</p>	<p>Reduced labour cost.</p> <p>Commissioned capacity upgrade</p> <p>Successful completion of shutdown and relocation.</p>
Customers	<p>Build on improved In-Home customer relationships to grow category and share.</p> <p>New customers – same channels.</p>	<p>Good category growth and strong share gains.</p> <p>New customers/products in OOH.</p>
Brand	<p>Build brands for all consumers.</p> <p>Innovative consumer promotions</p>	<p>Nanna's, Herbert Adams & Four n Twenty launches provided incremental high margin growth.</p>
Balance sheet	<p>Minimise maintenance Cap Ex.</p> <p>Identify +20% ROI Cap Ex projects</p>	<p>ROE increased to 14%.</p> <p>Debt Equity ratio reduced to 52.7%.</p>
Working capital management	<p>Continue focus on cash flow to minimise debt levels.</p>	<p>Continuing reduction in debt from strong cash flow and improved working capital.</p>
People	<p>Build a performance culture.</p> <p>Executive Leadership team structure strengthened</p>	<p>Incentives paid for results.</p> <p>Senior sales executive recruited from Fonterra.</p>
Board, management and governance	<p>The new Board with independent Chairman, working with the leadership team, set the strategic direction and ensure performance to that plan.</p>	<p>Strategic Plan set for 4 years to FY14 providing strong driver for growth in shareholder value. 6</p>

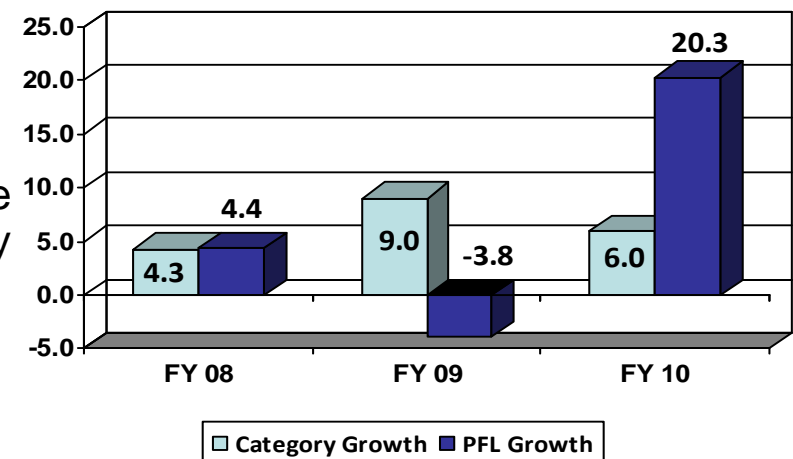
In Home Savoury category Increased market leadership position

- Increased market share.
- Category grew at above average rate
- PFL achieved strongest growth in category
- Sales growth driven by
 - Four'n Twenty Grand Final promotions.
 - Party pie sales.
 - Launch of expanded Herbert Adams range with T.V. commercial and consumer promotion support
 - Launch of branded large consumer packs
 - Reduced supply from competitor due to plant closure providing opportunity for increased
 - Four'n Twenty sausage roll sales.
 - Party sausage rolls sales.

Market Share % MAT 30 June



% growth from pcp



SOURCE: Aztec retail scan data

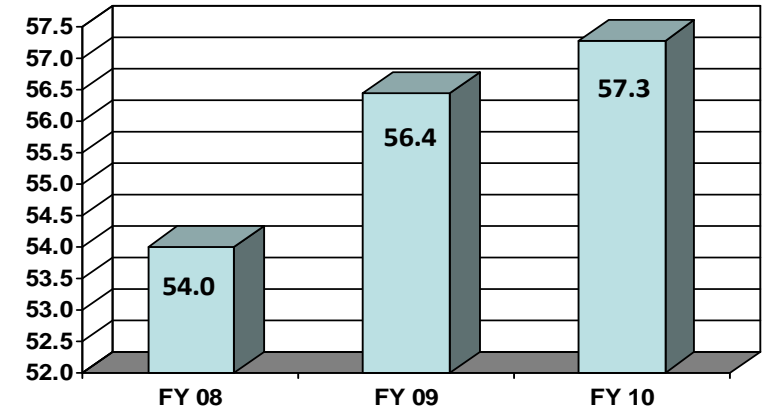


In-Home Fruit Pie Category

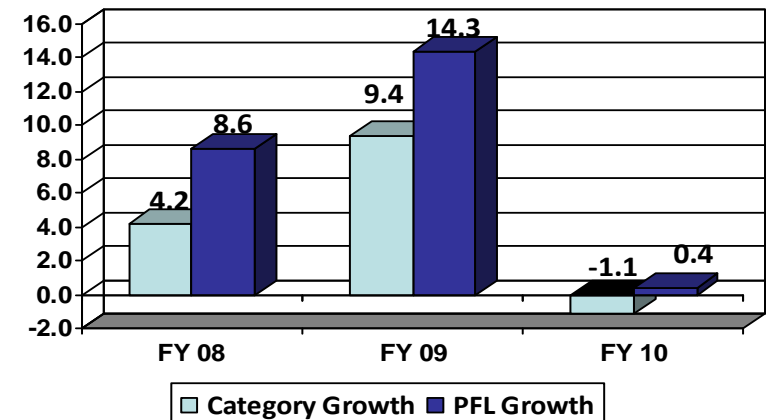
PFL maintained share in slowing category.

- Slight increase in market share.
- Category flat due to heavy promotion Q4 09.
- Launch of new Nanna's products:
 - Premium mini tarts
 - 6 Pack mini fruit pies
 - Christmas fruit mince tarts
- Sales are expected to increase in FY11 with broader distribution of premium tarts.

Market Share % - MAT 30 June



% growth from pcp

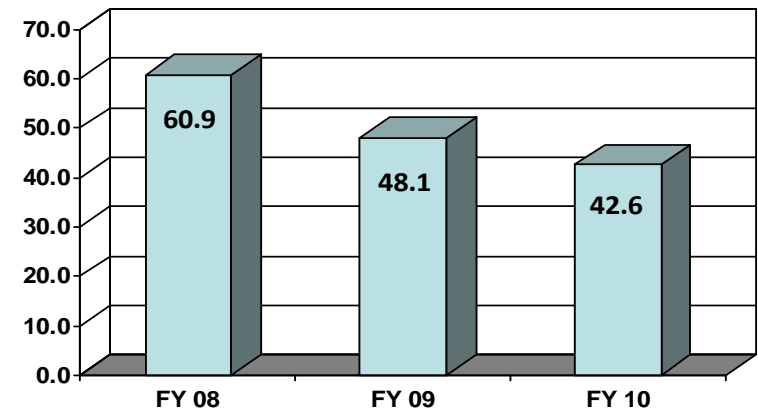


In Home Frozen Fruit Category

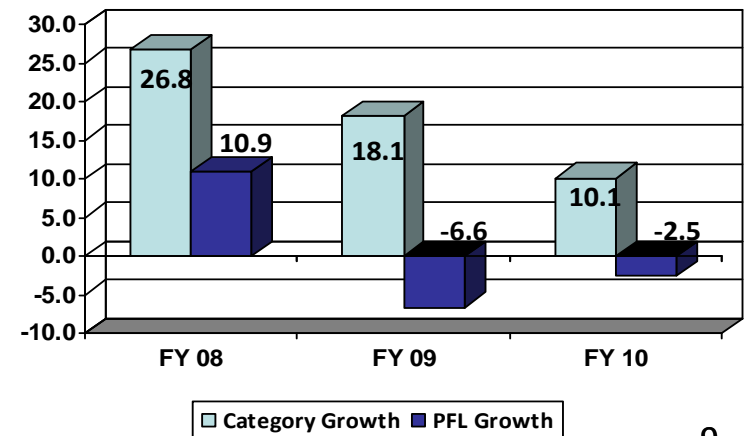
Continuing competitive price pressure.

- Frozen fruit category continues to be challenging with heavy competitor discounting.
- PFL retains market leadership but with a declining market share.
- Past strong category growth has reduced.
- Introduced Nanna's branded fruit to broaden product offer and defend against value offers.
- PFL's lower cost platform (closure of Silverwater plant) will build our defence to price pressure.

Market Share % - MAT 30 June



% growth from pcp



The Leading Australian Owned
Branded Frozen Food Company

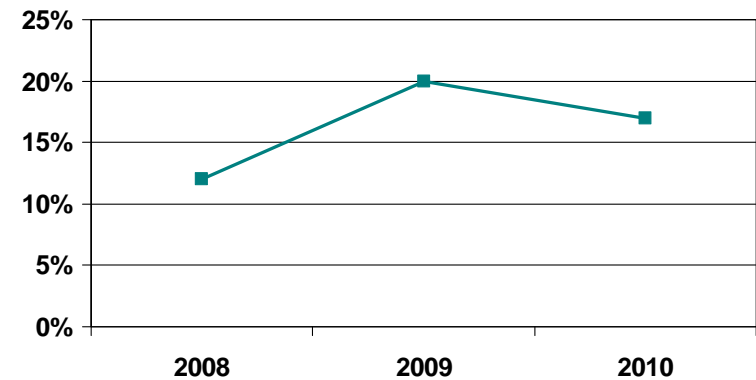
SOURCE: Aztec retail scan data

Out-of-Home sales continue strong growth

PFL achieved strong continuing growth across OOH from new customers and new products driven by:

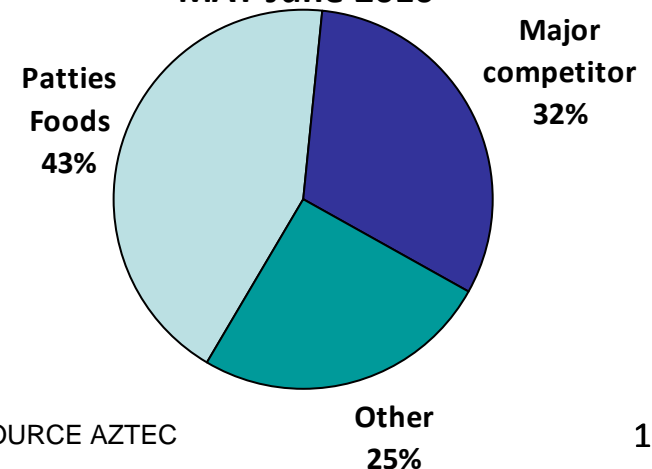
- Increased market share in Petrol & Convenience channel from new supply contracts and increased branded sales.
- Four'n Twenty achieved good growth from increased ranging and launch of new products in P&C.
- Herbert Adams range extension supported by TV campaign achieved double digit growth in foodservice channel.
- New fruit tarts sold into national bakery chain.
- Traditional route channel is shrinking with more consumers shopping in P&C.

Revenue Growth from PCP



National P&C Channel .

Market Share
MAT June 2010



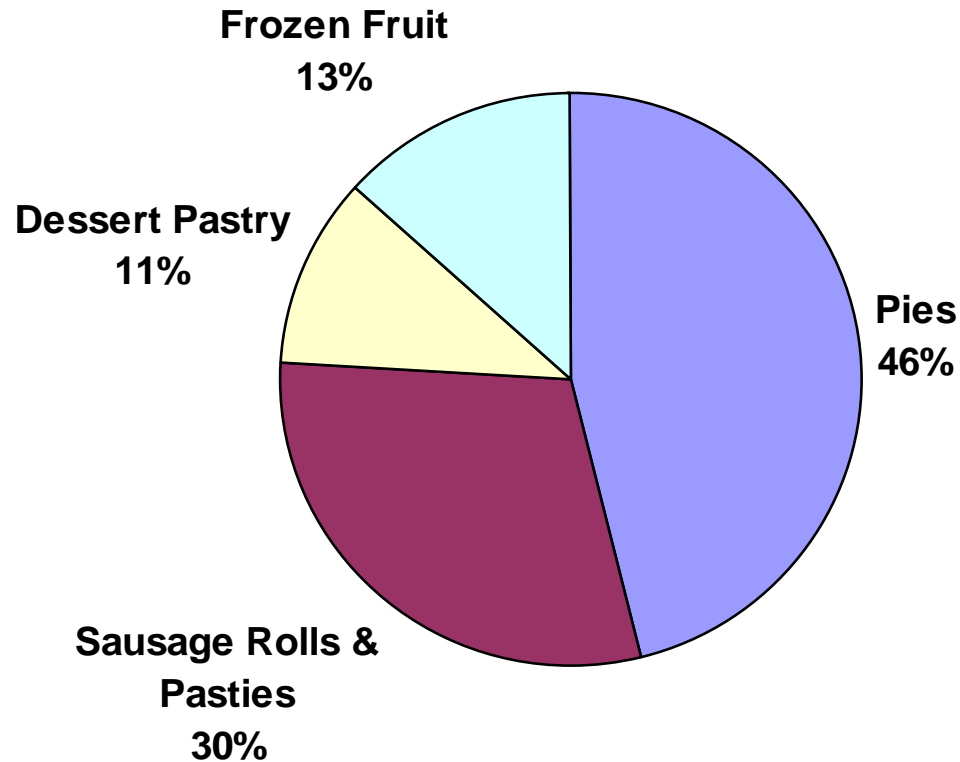
SOURCE AZTEC



The Leading Australian Owned
Branded Frozen Food Company

**We are the biggest pie company, but ...
we aren't just a pie company !**

Revenue by product mix



The Leading Australian Owned
Branded Frozen Food Company

Focus on capital management and balance sheet strength

	(\$m)	Jun-10	Jun-09	+/-
<ul style="list-style-type: none"> Improved Net Debt to Equity Ratio of 52.7% at 30 June 2010 (62.4% at 30 June 2009) 	Current Assets	62.8	58.8	+4.0
	Fixed Assets	64.4	62.0	+2.4
	Brands and Goodwill	78.5	78.9	-0.4
<ul style="list-style-type: none"> Reducing Net Debt trend continues by \$6.6m to \$63.5m due to improved working capital management and increased earnings. 	Investments in Joint Ventures	8.4	8.0	+0.4
	Total Assets	214.1	207.7	+6.4
	Current Interest Bearing Securities	2.2	2.3	-0.1
<ul style="list-style-type: none"> Debt facility with Westpac with the next review date on 30 Sep 2011. Long term interest rate hedge on 50% of total debt. 	Other Current Liabilities	24.9	20.3	+4.6
	Non Current Interest Bearing Securities	60.9	68.2	-7.3
<ul style="list-style-type: none"> Capital expenditure for FY10 of \$8.1m with the key projects being integration of the Silverwater frozen fruit plant into Bairnsdale (\$1.1m) and Spiral Freezer to unleash manufacturing capacity (\$2.3m). 	Other non-current liabilities	6.3	5.8	+0.5
	Total Liabilities	94.3	96.6	-2.3
	Net Assets	119.7	111.1	+8.6
	Equity	68.3	68.2	+0.1
	Retailed Profits and Reserves	51.4	42.9	+8.5
	Total Equity	119.7	111.1	+8.6



Strong Sustainable Operating Cash Flows in FY10

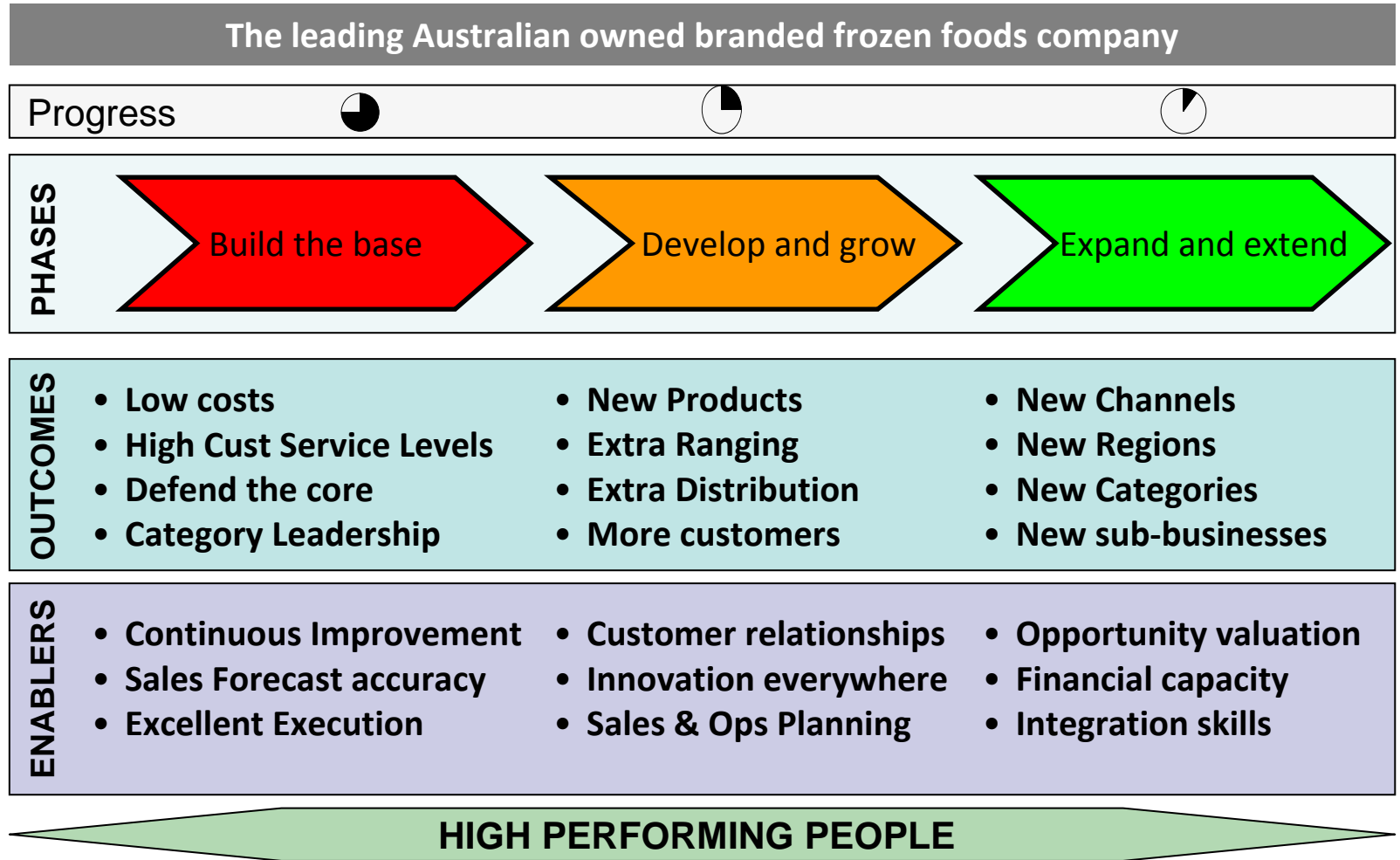
- Continued focus on cash generation.
- Cash flow generated from operations was \$22.1m, delivering a 67.4% increase on pcp.
- Sustainable working capital position.
- Free cash generated increased 70% driving debt reduction and enhancing balance sheet capacity for future opportunities.
- Dividend reduction in line with prior year reduced dividends. Future dividend payout ratio approx 60%.

(\$m)	Jun-10	Jun-09	+/-
Cash Flow from operations	22.1	13.2	+8.9
Net cash flow from investing activities	-8.0	-4.9	-3.1
Net borrowings	-7.4	-0.1	-7.3
Dividends paid	-7.6	-9.0	+1.4
Net equity	0.1	-0.1	+0.2
Net cash flow from financing activities	-14.9	-9.2	-5.7
Net cash flow movement	-0.8	2.3	-3.1
Closing cash balance	0.3	1.2	-0.9
Free cash flow	14.1	8.3	+5.8



Strategic Framework Update

Good progress on the base, with more work to be done to develop and expand



In FY11 we will Develop and Grow the FY10 outcomes.

	FY 11 Initiative	Expected Outcome
Operational improvements	Leverage increased economies of scale to improve production efficiency.	Further reduce conversion costs. Utilise capacity made available in FY10
Customers	Develop stronger In-Home customer relationships. New customers in Out-Of-Home channels.	Capture growth opportunities through category and channel growth.
Brand	Invest in Four n Twenty Brand – rollout Angus range across channels. Develop and grow dessert brands. Promote and build Patties brand as premium entertainment range.	Increase Four n Twenty revenue and profit. New product launches and product support.
Balance sheet	Further investment in strong ROI Cap Ex projects	Increased ROE and plant efficiency
Working capital management	Continue to minimise debt.	Improved gearing.
People	Develop the performance culture by ensuring focus and accountability on key result areas.	Achieve higher performance.
Board, management and governance	Led by the independent Chairman, the Board and the leadership team will monitor and implement the FY14 strategic plan.	Achieve growth plan to build shareholder value.

For personal use only



The Leading Australian Owned Branded Frozen Food Company

Outlook

The Board and management believe that there is room for further material improvement, as PFL is well positioned for growth.

We operate in a highly competitive environment with rising input costs from commodity movements. The In Home retail sector is particularly challenging with price deflationary pressure.

The company is committed and focused on implementing our 4 year Strategic Plan which identifies further profit growth from:

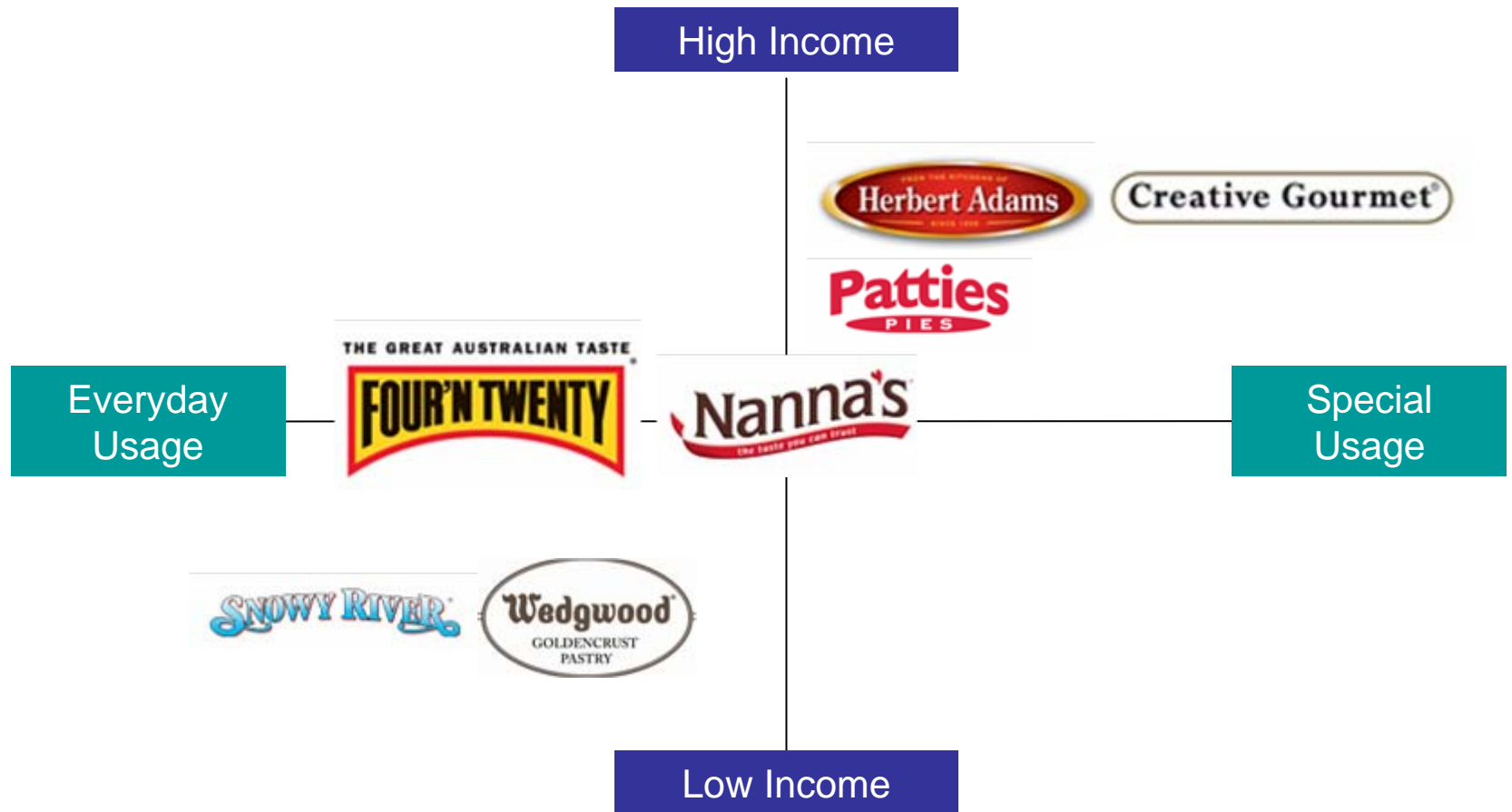
- Increased ranging and distribution of new and existing products under our outstanding food brands;
- Manufacturing efficiencies captured through carefully targeted capital expenditure and continuous improvement initiatives; and
- Our national sales and distribution network driving significant opportunities in the Out Of Home channels, where the business still underperforms.

We are confident of meeting these challenges and achieving further profit growth in FY11.

In the Long Term Incentive Plan introduced during FY2010, the board has set challenging targets for the new senior leadership team to meet. When achieved, they will be appropriately rewarded for their creation of increased shareholder wealth.



Our brands meet demand from many types of consumers



The Leading Australian Owned
Branded Frozen Food Company

For personal use only

Thank you

