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3 March 2009

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Patties Foods Limited 31 December 2008 - Half Year Analyst Briefing

I attach the following Analyst Briefing to be presented Wednesday, 4 March 2009 in relation to the half year ended 31 December 2008.

Yours sincerely

PHILIP THOMAS
Company Secretary



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Australia's Leading Branded
Frozen Food Company

HALF YEARLY RESULT 2009

Analyst Briefing

March 4 – 5, 2009

Acting Chairman Ernest Barr

C.E.O. Greg Bourke

C.F.O. Michael Knaap

Brief overview of Result

- Revenue growth of 6.2% to \$90.5m
- N.P.A.T. \$4.7m – decline by 35% compared to 1H08
- One-offs totalling \$765k personnel costs
- Factory inefficiencies held back strong G.P. growth - now rectified
- “Out of Stocks” and Temporary product deletions caused retail customers to reallocate shelf space to competitors now rectified.
- Increased overheads not covered by increased sales - now improving
- Rephasing of marketing costs (\$1.4m) from 2H09 to 1H09.
- Dividend reduced by 0.8 c.p.s. \$1.1m. to conserve cash for growth opportunities



Enhanced Management Team

Strong existing executive team with long term company and F.M.C.G. experience complemented with new additions of :

C.E.O. – Greg Bourke (Appointed September 2008)

25 years finance and business management experience mainly George Weston Foods Australia and New Zealand.

C.F.O. – Michael Knaap (Appointed February 2009)

18 years finance experience. Previous role as C.F.O. Unibic Australia

G.M. Manufacturing – Grant Leyden (Appointed February 2009)

20 years F.M.C.G. operations experience at Goodman Fielder, Fonterra and Cadbury.



Strategic refocus is ongoing

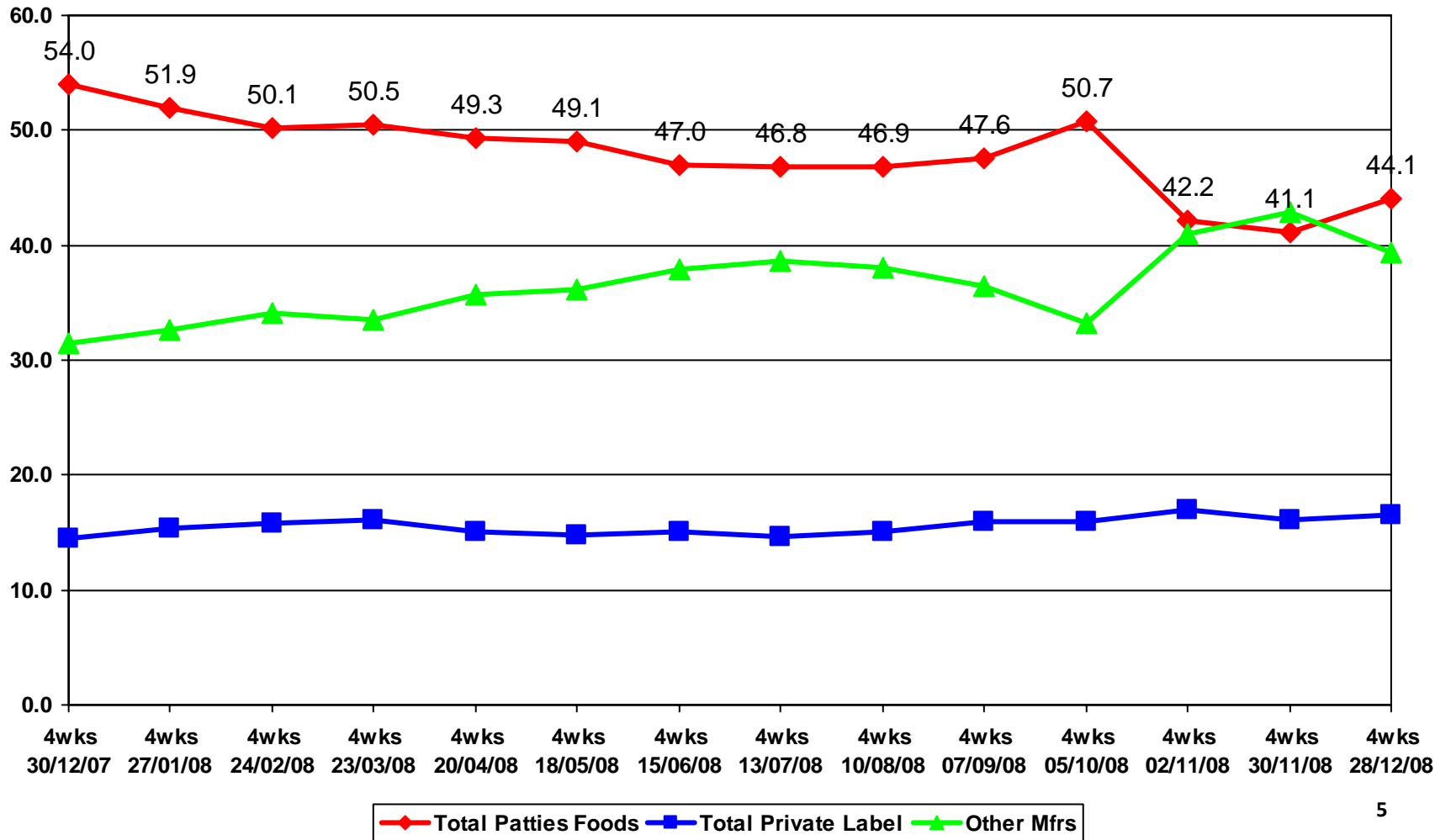
- # Extend the multi brand platform to ensure we meet all consumer demand with a quality branded offer, in each category eg Wedgewood value offer.
- # Broaden the product range within each brand to provide a multiple product offer for each occasion eg new snack food “a pie and”.
- # Introduce the brands to new channels eg Nanna’s in Foodservice.
- # Reinvigorating in-store promotional activities.
- # Leverage our category strength to provide consumer insights for our customers to grow the category.
- # Be the best at execution.



Australia's Leading Branded
Frozen Food Company

Patties Retail Savoury Market share

National Dollars (000s) Share of Total Frozen Savouries



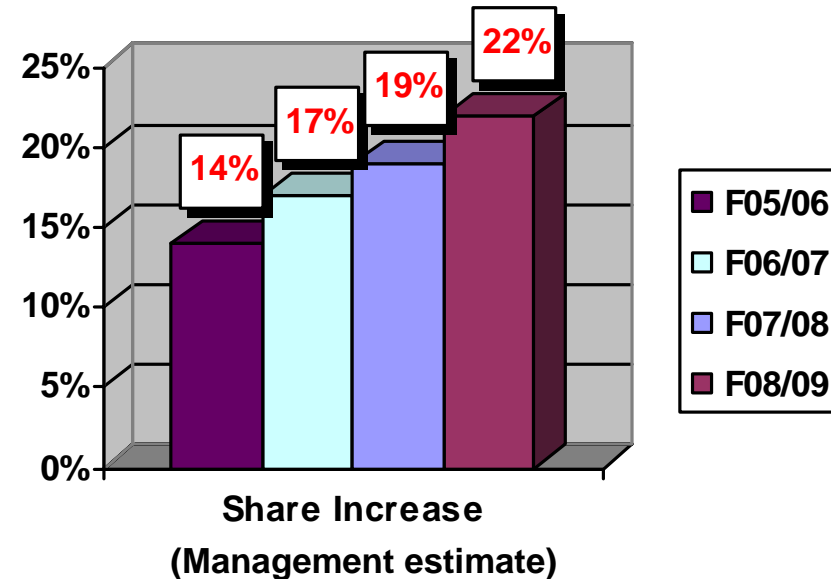
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Australia's Leading Branded
Frozen Food Company

Patties continues strong Foodservice growth

- Market share gains driven by increased penetration (distribution and range) of the Petrol and Convenience and caterings channels.
- Branded pie growth of Four'NTwenty and Herbert Adams in excess of 25%.
- Investment in Field team delivering wider distribution of high margin core Foodservice products.
- Frozen Fruit sales below expectations, revised strategy in place to reverse sales trend.

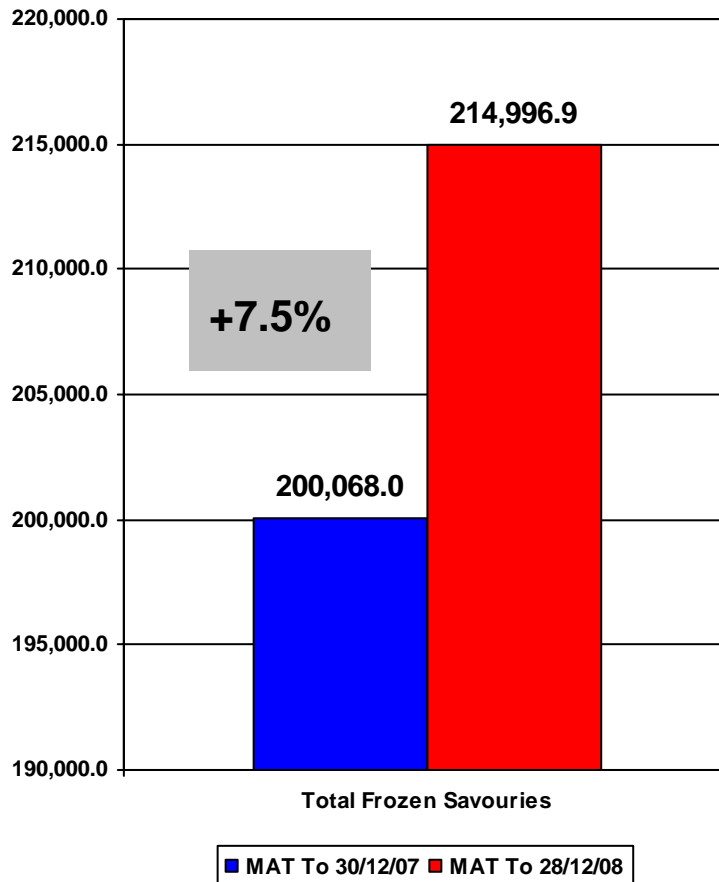


Retail Category Growth

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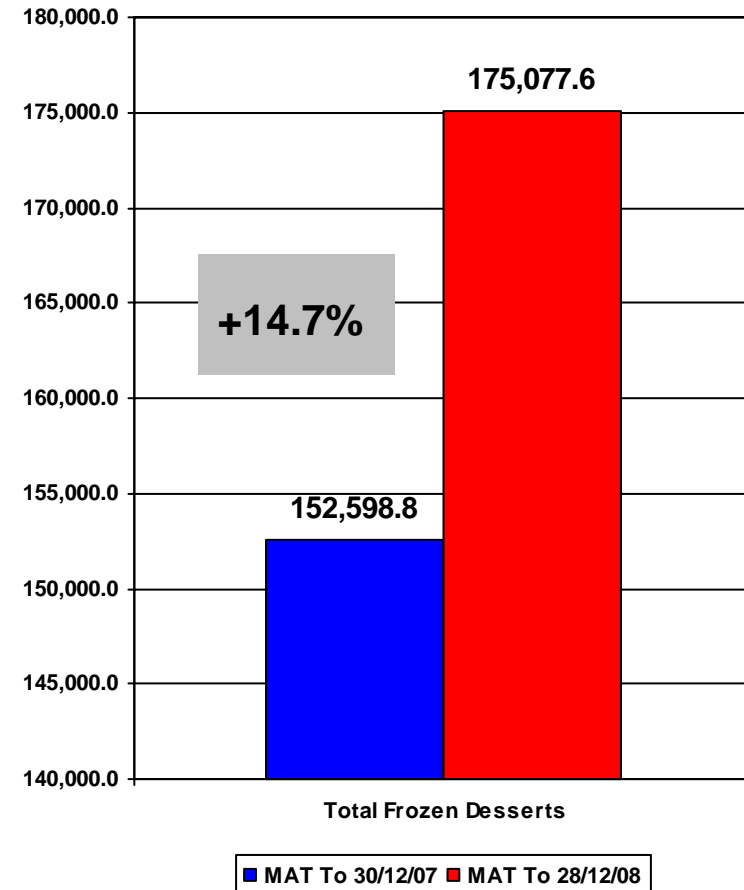
Frozen Savoury

National
Dollars (000s)



Frozen Dessert

National
Dollars (000s)



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Sales growth with disappointing earnings driven by one-offs and rephasing of marketing spend

- ⌘ Significant one off items
\$765k (pre tax), \$536k (post tax)
 - ⌘ Agreed sums and related costs to departing employees
- ⌘ E.B.I.T. margins reduced by 2.3% points due to
 - ⌘ new manufacturing lines being commissioned and the related startup waste and inefficiencies
 - ⌘ higher overhead investment costs not recovered through increase sales volume or margin
- ⌘ Advertising spend up by \$1.34m on Last Year with expectation to fall back in line with Last Year
- ⌘ Effective Tax Rate increase due to
 - ⌘ under provision of prior year and permanent differences

	Half Year ending 31 December (\$m)		
	2007	2008	Variance
Net Sales Revenue	85.2	90.5	6.2%
EBITDA	13.8	13.1	-5.1%
EBIT	11.7	10.3	-12.3%
Significant Items (Pre tax)	0.7	0.8	
Adjusted EBIT	12.4	11.1	-10.9%
NPAT	7.3	4.7	-35.0%
Significant Items (Post tax)	0.5	0.5	
Adjusted NPAT	7.8	5.2	-33.3%
<hr/>			
Earnings Per Share (cents)	5.2	3.4	
Adjusted EBIT/Sales	14.6%	12.3%	
Adjusted NPAT/Sales	9.2%	5.7%	
ROE	6.8%	4.40%	
Net Asset Backing (cents)	0.77	0.77	
DPS (cents)	2.8	2	

- ⌘ Interest increase of \$0.974m as a result of rate movements and interest bearing debt



Balance Sheet

- ## Gearing of 41.9% @
31 December 2008
(38.6% @ June 2008)
- ## Annualised borrowings/EBITDA
ratio of 3.0X
- ## Interest bearing liabilities
increased by \$7.7m mostly
related to working capital
requirements
- ## New debt facility placed with
Westpac in November 2008 on a
2 year rolling basis. Long term
hedge on 50% of total debt.

Balance as at (\$m)	Jun-08	Dec-08
Current Assets	52.1	55.3
Fixed Assets	62.5	62.7
Brands and Goodwill	79.4	79.2
Investments in Joint Ventures	8.0	7.9
Other Assets	3.0	2.9
Total Assets	205.0	208.0
Current Interest Bearing Securities	9.5	0.3
Other Current Liabilities	17.5	14.1
Non Current Interest Bearing Securities	61.2	78.1
Other non-current liabilities	7.5	8.8
Total Liabilities	95.7	101.3
Net Assets	109.3	106.7
Equity	68.3	68.2
Retailed Profits and Reserves	41.0	38.5
Total Equity	109.3	106.7



Cash Flow

OVERVIEW

1. Cash generation strong, however, cash from Operations diminished as a result of working capital build
2. Working capital build and capital expenditure funded through increased borrowings
3. Capital expenditure program in line with depreciation.

Half year ending 31 December (\$m)	2007	2008
Cash From Operations	7.6	1.4
Capital Expenditure	-11	-2.9
Contribution to JV	-3.1	0
Other	0	-0.5
Net Cash Flows from Investing	-14.1	-3.4
Increase in Borrowings (net)	11.2	7.7
Payments from Shares bought back	0	-0.1
Dividends Paid	-6.1	-6.2
Net Cash Flows From Financing	5.1	1.4
Net Cash Movement	-1.4	-0.6



Operations improving

FACTORY

- Labour efficiencies trending up with higher production throughputs and reduced weekend running
- Waste costs are down

CUSTOMER SERVICE & LOGISTICS

- Customer Service Levels, though strained in the first quarter due to plant commissioning problems, have now returned to Patties Foods traditional high standards.
- The Bairnsdale Bulk Storage Freezer is fully commissioned and is now delivering significant savings to the business through rationalising warehousing and distribution systems.
- Further rationalization of Silverwater's warehousing and distribution systems are substantially complete with the benefits already flowing to the business.
- Total Distribution Costs as a percentage to sales have, and continue, to reduce.



Outlook is better

- # # We are through the worst of the supply problems.
- # # New Leadership team with increased competency in manufacturing operations and analysis of FMCG operations.
- # # Opportunities for further production efficiencies have been identified and can be executed with relatively straight forward capital expenditure projects. (order pre June 30 2009)
- # # New Products on shelf in March 09.
- # # Customer relations improving through closer business planning and new business.
- # # Whilst there will be one-off consulting costs, the benefits should offset these costs.
- # # **Summary** - Second half will be better than first half and should be up on last year.



Who are our customers ?

IN HOME (Retail)

Retail Majors
Retail Independents
National and Regional
Including

- Coles
- Woolworths
- IGA
- Foodworks

OUT OF HOME (Foodservice)

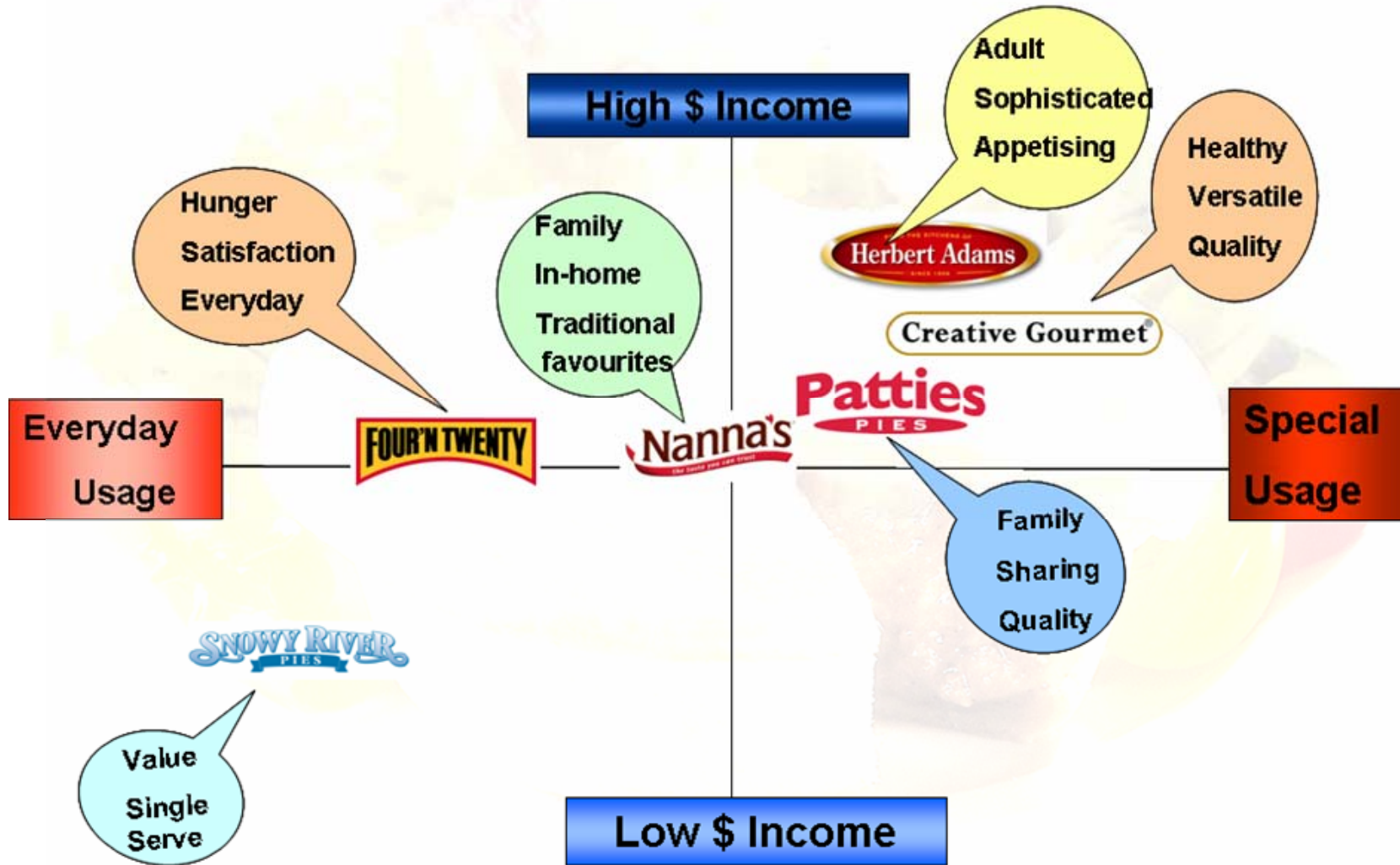
Foodservice/Distributors
Education
Fine Dining and Clubs
Institutions and Correctional
Centres
Quick Service Restaurants
Franchise/National groups
Petrol and Convenience Stores
Hospitality/Restaurant
Sporting Venues

Including

- # 7 Eleven
- # Michel's Patisserie
- # Mobil
- # Coles Express
- # M.C.G.
- # Delaware Catering
- # P.F.D.
- # Bidvest
- # K.F.C.
- # Pizza Hut
- # Etihad Stadium
- # MCG
- # Gabba Stadium



Patties Foods – Brand Positioning Map



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