



**Patties Foods Ltd**  
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17 November 2011

The Announcements Office  
Australian Stock Exchange Limited  
Level 45 South Tower  
525 Collins Street  
**MELBOURNE VIC 300**

Dear Sir/Madam

**Patties Foods Ltd (PFL)**  
**Chairman's Address – Annual General Meeting 2011**

Please find attached, the Chairman's address which will be delivered to shareholders at the Annual General Meeting today.

The attached document will be posted to the Patties Foods' website once released to the market.

Yours faithfully

A handwritten signature in black ink, appearing to read "Philip W Thomas", written over a light blue horizontal line.

**Philip W Thomas**  
Company Secretary



**Chairman's Address**

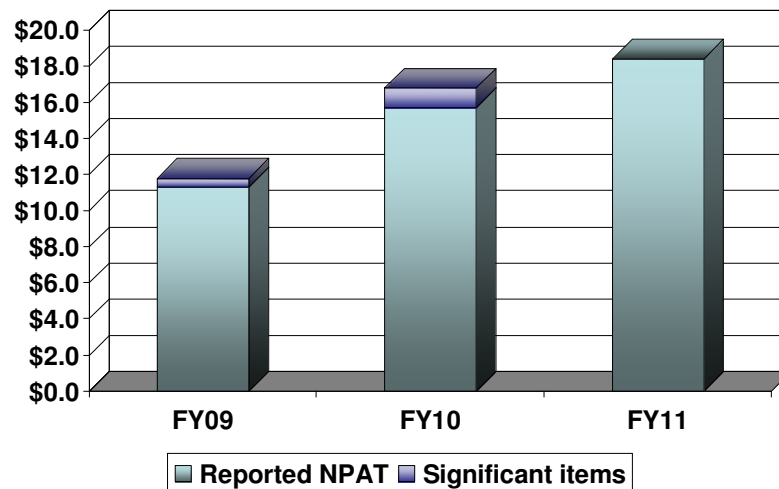
**Annual General Meeting**

**17 November 2011**



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## A Year of Continued Profit Growth



- NPAT of \$18.4m for the year - up by \$2.7m (16.8%) on reported NPAT, and up by \$1.6m (9.6%) on underlying NPAT for previous corresponding period (pcp)
- Net debt reduced to \$59.7m
- Net Operating cash flow increased to \$22.7m
- Total FY2011 fully franked dividend of 7.7 cps increased 18.5%.

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IT IS A GREAT PLEASURE TO BE ABLE TO REPORT THAT FY2011 HAS AGAIN DELIVERED A RECORD RESULT.

NET PROFIT AFTER TAX (**NPAT**) OF \$18.4M. REPRESENTED A 9.6% INCREASE ON THE UNDERLYING NPAT FOR FY2010.

WE HAVE NOW REPORTED FOUR CONSECUTIVE HALF YEARS OF STRONG EARNINGS GROWTH, WITH REPORTED NPAT INCREASING OVER THE TWO YEAR PERIOD BY 62%.

IMPORTANTLY, SOUND CAPITAL MANAGEMENT HAS SEEN:

- A CONTINUED REDUCTION IN NET DEBT TO \$59.7M AT JUNE 2011, DOWN FROM A PEAK AT DECEMBER 2008 OF \$76.9M;
- AN INCREASE IN OPERATING CASHFLOWS TO \$22.7M; AND
- FY2011 FULLY FRANKED DIVIDENDS OF 7.7 CENTS PER SHARE WERE UP 18.5% ON FY2010 FOLLOWING A TOTAL DIVIDEND INCREASE OF 44.4% IN FY2010.

## Challenges facing our Industry



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- Depressed retail market
- High global commodity prices
- Intensive supermarket discounting
- Rise of private label products
- Increasing costs from the new Carbon Pricing Mechanism

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A RECENT REPORT FROM THE AUSTRALIAN FOOD AND GROCERY COUNCIL HIGHLIGHTED THAT THE FOOD AND GROCERY MANUFACTURING INDUSTRY IS CURRENTLY FACING A NUMBER OF SIGNIFICANT CHALLENGES INCLUDING:

- A DEPRESSED RETAIL MARKET
- HIGH GLOBAL COMMODITY PRICES
- INTENSE SUPERMARKET DISCOUNTING IN A RANGE OF PRODUCTS, FORCING DOWN RETAIL PRICES
- A RISE IN MARKET SHARE OF PRIVATE LABEL PRODUCTS, WHICH IS FORECAST TO GROW EVEN MORE STRONGLY IN THE FORESEEABLE FUTURE
- THE IMPACT ON COSTS (PARTICULARLY, ELECTRICITY, ROAD TRANSPORT AND PACKAGING) IN THE NEXT TWO TO THREE YEARS AS A RESULT OF THE CARBON PRICING MECHANISM INCLUDED IN THE CLEAN ENERGY PLAN ANNOUNCED BY THE FEDERAL GOVERNMENT IN 2011

## Strategies to Address these Challenges



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- Relentless focus on supporting and growing our brands through new product development and increased marketing spend.
- Employing a multi-channel strategy.
- Improvement in manufacturing and supply chain efficiencies.

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I AM PLEASED TO CONFIRM THAT YOUR BOARD AND MANAGEMENT HAVE ADOPTED A RANGE OF STRATEGIC MEASURES TO ADDRESS THESE CHALLENGES AND CONTINUE TO GROW OUR BUSINESS.

THESE STRATEGIC MEASURES INCLUDE:

- **SUPPORTING AND GROWING OUR BRANDS** – WE HAVE A RELENTLESS FOCUS ON ENHANCING OUR BRANDS BY CONTINUED DEVELOPMENT OF NEW, INNOVATIVE PRODUCTS EG ANGUS FOUR'N TWENTY PIES AND CREATIVE GOURMET SMOOTHIE CUBES. IN TURN, WE SUPPORT OUR BRANDED PRODUCTS WITH AN INCREASING MARKET SPEND.
- **EMPLOYING A MULTI-CHANNEL STRATEGY** – THE OUT OF HOME CHANNEL (I.E. THE NON SUPERMARKET CHANNEL) OFFERS CONSIDERABLE GROWTH OPPORTUNITIES. WE CONTINUE TO GROW OUR SHARE IN OOH THROUGH INCREASED RANGE, DISTRIBUTION AND NEW CUSTOMERS EG THE BRUMBY'S CONTRACT, WHICH COMMENCED THIS FINANCIAL YEAR.
- **IMPROVEMENT IN MANUFACTURING AND SUPPLY CHAIN EFFICIENCIES** – WE CONTINUE TO BE FOCUSED ON BEING THE LOWEST COST PRODUCER. OUR CAPITAL INVESTMENT IN OUR BAIRNSDALE PLANT HAS BEEN SIGNIFICANT OVER THE LAST FOUR YEARS AND CONTINUES WITH OUR \$9.8M INVESTMENT IN THE PACKING AUTOMATION PROJECT WHICH IS EXPECTED TO BE OPERATIONAL IN EARLY CALENDAR 2012.

## Governance Issues



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- Numerous changes introduced by amendments to the Corporations Act and ASX Corporate Governance Principles and Recommendations.
- Issues included:
  - Voting by KMPs
  - Hedging by KMPs
  - Proxy voting
  - 'Two strikes' rule
  - No vacancy rule
  - Diversity policies
- Charters and Policies updated, where applicable.

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DURING FY2011, YOUR BOARD ADDRESSED NUMEROUS GOVERNANCE ISSUES RESULTING FROM CHANGES TO THE CORPORATIONS ACT AND REVISION OF THE ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS RELATING TO VARIOUS ISSUES, INCLUDING:

- VOTING BY KEY MANAGEMENT PERSONNEL AND THEIR CLOSELY RELATED PARTIES ON REMUNERATION RELATED RESOLUTIONS
- HEDGING ARRANGEMENTS BY KEY MANAGEMENT PERSONNEL
- PROXY VOTING
- 'TWO STRIKES' RULE
- NO VACANCY RULE
- DIVERSITY POLICIES

OUR BOARD AND BOARD COMMITTEE CHARTERS AND BOARD POLICIES WERE UPDATED TO REFLECT AND ADOPT, WHERE APPLICABLE, THESE CHANGES AND MAY BE VIEWED ON THE COMPANY'S WEBSITE

## Commitment to our Communities



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- History of supporting communities in our heartland of East Gippsland and across Australia.
- Inaugural Patties Foodbank Day.
- Foodbank's Innovation Award for 2011.

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PATTIES FOODS HAS A HISTORY OF SUPPORTING COMMUNITIES IN OUR HEARTLAND OF EAST GIPPSLAND AND ACROSS AUSTRALIA.

FY2011 SAW THE INAUGURAL PATTIES FOODBANK DAY WHEN OVER \$250,000 OF FOUR N'TWENTY PIES WERE MANUFACTURED AND DONATED TO FOODBANK AUSTRALIA. IT WAS A COMBINED EFFORT INVOLVING MORE THAN 70 STAFF AND MANAGEMENT WHO VOLUNTEERED THEIR TIME ON A SATURDAY AND INGREDIENT SUPPLIERS, TRANSPORT OPERATORS AND LOCAL COMPANIES WHO DONATED THEIR GOODS AND SERVICES AT NO COST.

WE ARE PROUD THAT THE FOODBANK INNOVATION AWARD FOR 2011 WAS AWARDED TO PATTIES FOODS.

## Outlook



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- Business well positioned to address current challenges.
- Ready to take advantage of growth opportunities.
- Further increased earnings expected in FY2012.

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AS OUTLINED EARLIER, THERE IS NO DOUBT THAT OUR BUSINESS FACES SIGNIFICANT CHALLENGES. YOUR BOARD BELIEVES THAT THE COMPANY IS WELL POSITIONED TO ADDRESS THESE CHALLENGES AND TO TAKE ADVANTAGES OF THE VARIOUS POTENTIAL GROWTH OPPORTUNITIES, BOTH ORGANIC AND EXTERNAL.

YEAR TO DATE TRADING PERFORMANCE IS IN LINE WITH EXPECTATIONS AND THE BOARD IS CONFIDENT OF FURTHER INCREASED EARNINGS AND SHAREHOLDER RETURNS IN FY2012.



## CONCLUSION

THE STRONG FINANCIAL RESULT IN FY2011 WAS DUE TO THE HARD WORK OF ALL OF OUR EMPLOYEES. ON BEHALF OF THE BOARD, I WISH TO PUBLICLY ACKNOWLEDGE THE EFFORTS OF GREG BOURKE, HIS SENIOR TEAM AND ALL OF OUR EMPLOYEES. WE ARE VERY FORTUNATE TO HAVE SUCH A DEDICATED, PASSIONATE AND COMMITTED TEAM OF PEOPLE.

I TAKE THIS OPPORTUNITY TO THANK MY FELLOW DIRECTORS FOR THEIR ONGOING SUPPORT, COMMITMENT AND EXPERTISE.

THANK YOU ALSO TO OUR CUSTOMERS, SUPPLIERS AND ADVISERS. PATTIES FOODS IS PROUD OF ITS HERITAGE AND THE FACT THAT IT IS ONE OF THE FEW REMAINING AUSTRALIAN OWNED COMPANIES WITH OWNERSHIP OF ICONIC AUSTRALIAN BRANDS.

WE ARE DETERMINED TO PROTECT AND GROW THESE BRANDS AND WE THANK YOU, OUR SHAREHOLDERS, FOR YOUR CONTINUED SUPPORT.

I WOULD LIKE TO NOW INTRODUCE OUR MANAGING DIRECTOR, GREG BOURKE, WHO WILL PRESENT A REVIEW OF OPERATIONS.

THANK YOU.