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17 February 2012

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

Patties Foods Limited (PFL) - Half Year Results Market Briefing

Please find attached, the market briefing regarding PFL's half year results ended 31 December 2011 to be presented during the coming weeks.

The information contained in this announcement should be read in conjunction with the announcement on 17 February 2012 of PFL's half year report and PFL's most recent annual financial report.

Yours faithfully

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

PHILIP W THOMAS
Company Secretary



Patties



Creative Gourmet



Australia's Leading Branded
Frozen Food Company

HALF YEAR RESULT 2012

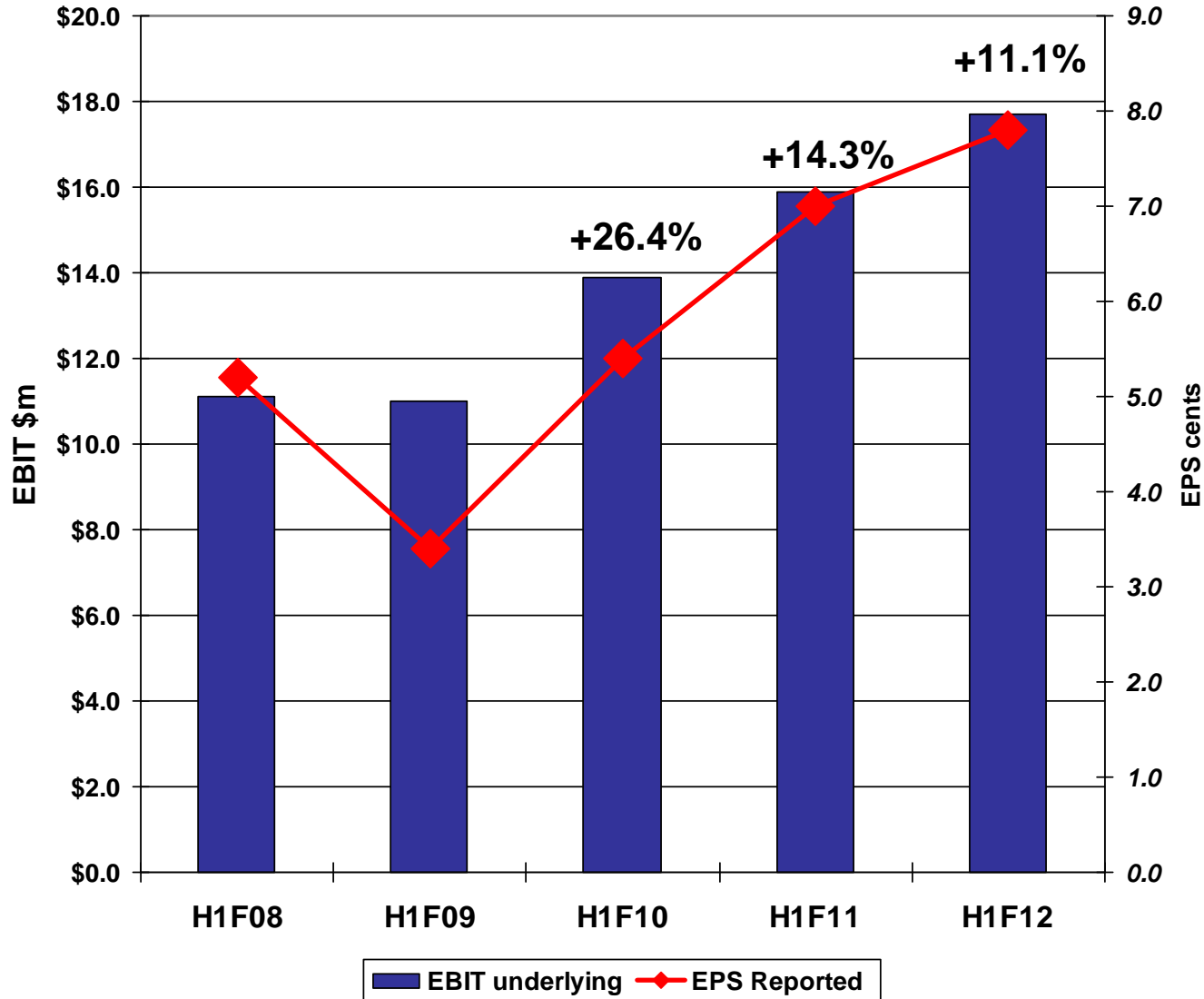
Market Briefing - February 2012

C.E.O. Greg Bourke

C.F.O. Michael Knaap

- Good financial performance with NPAT up 11.1% delivering 5th consecutive half of profit growth.
- Revenue growth of 6.8% and maintained branded market leadership position in all categories.
- Effective cost control with operating expenses flat, notwithstanding an increase in logistics costs to support revenue growth.
- Manufacturing conversion unit costs continue to reduce.
- EBIT margin to sales improved to 14.8% from 14.2% whilst in a challenging trading environment.
- EBIT growth of 11.3% is at a greater rate than revenue growth of 6.8%.
- In line with our strategy to grow Out of Home business,
 - 72% growth in branded Petrol and Convenience sales.
 - successfully implemented supply contracts to Brumby's and BP.
- Stable net debt to equity ratio of 48.7% at 31 December with conservative gearing and balance sheet capacity to support growth.
- Interim fully franked dividend declared of 3.8 cps (FY11 3.5 cps) with cash generation and earnings providing for an increase in dividend payment for the 5th consecutive half.
- Return on Equity is stable at 15.1% slightly up from 15.0% pa pcp.

Continued growth in earnings (EBIT) and shareholder returns (EPS)



H1FY12 Financial Performance



- Good financial performance with NPAT of \$10.8m, up 11.1% on pcp and delivering the 5th consecutive half of profit growth.
- Revenue growth of 6.8% driven by innovation, new contracts and maintaining In-Home branded market leadership.
- Gross margins reduced slightly to 39.2% from 40.3% as some value segment opportunities were captured.
- EBIT margins to sales improved to 14.8% from 14.2%.
- Effective cost control with operating expenses flat, notwithstanding an increase in logistics costs to support revenue growth.
- Effective tax rate increase to 29.5% as we cycle out of investment allowance benefits.
- EBIT growth (11.3%) and NPAT growth (11.1%) is at a greater rate than revenue growth (6.8%).

(\$m)	Dec-11	Dec-10	+/-	%
Net Sales Revenue	119.4	111.8	+7.6	+6.8%
Costs of Goods Sold	72.7	66.7	+5.9	+8.9%
Gross margin	46.8	45.1	+1.7	+3.7%
Operating Expenses	25.8	25.9	-0.1	-0.3%
EBITDA	21.0	19.2	+1.7	+9.1%
Depreciation & Amort.	3.3	3.3	-0.1	-1.6%
EBIT	17.7	15.9	+1.8	+11.3%
Interest	2.6	2.5	+0.1	+4.8%
NPBT	15.1	13.5	+1.7	+12.5%
Tax	4.3	3.7	+0.6	+16.1%
NPAT	10.8	9.8	+1.1	+11.1%
EPS	7.8	7.0	+0.8	+11.1%
DPS (cents)	3.8	3.5	+0.3	+8.6%
Underlying EBIT/Sales	14.8%	14.2%	+0.6%	+4.2%
Return on Equity (p.a.)	15.1%	15.0%	+0.1%	+0.7%

Balance sheet remains strong



- Conservative Gearing:
 - Net Debt to Equity Ratio of 48.7% at 31 December 2011
 - Net Debt to EBITDA of 1.69x
 - Interest Cover (EBIT/Interest) 6.9x
- Key facets of existing finance facility are:
 - Further 2 year term expiring in January 2014
 - Comfortable covenants with headroom to support future investment
 - Competitive margin over BBSY Interest rate hedge on 50% of total debt.
- Net Debt of \$64.9m supporting working capital and up weighted capital expenditure.
- Inventory increase of \$9.4m required to support tactical holdings of raw materials, imported products and commencement of new sales contracts.

(\$m)	Dec-11	Jun-11	+/-
Current Assets	82.3	73.1	+9.2
Fixed Assets	70.4	67.7	+2.7
Brands and Goodwill	79.0	78.9	+0.1
Investments in Associates	9.2	8.8	+0.3
Total Assets	240.9	228.6	+12.4
Current Interest Bearing Securities	3.5	2.2	+1.4
Other Current Liabilities	35.0	32.1	+2.9
Non Current Interest Bearing Securities	61.5	58.8	+2.7
Other non-current liabilities	7.6	7.0	+0.6
Total Liabilities	107.7	100.1	+7.6
Net Assets	133.2	128.5	+4.7
Equity	68.4	68.4	+0.0
Retained Profits and Reserves	64.8	60.1	+4.7
Total Equity	133.2	128.5	+4.7

Cash flows support dividend growth and investment opportunities



- Continued focus on effective cash management.
- Cash flow remains strong albeit below recent years due to tactical inventory holdings and tax paid.
- FY12 fully franked interim dividend of 3.8c increasing 8.6% on pcp.
- Cash generation and earnings have allowed the dividend to increase for the 5th consecutive half.
- Strong cash flows and balance sheet position support investment in profit enhancement projects.

(\$m)	Dec-11	Dec-10	+/-
Cash flow from operations	6.4	9.9	-3.5
Net cash flow from investing activities	-5.8	-2.0	-3.8
Net borrowings	2.7	-1.1	+3.8
dividends paid	-5.8	-4.9	-1.0
Net cash flow from financing activities	-3.1	-6.0	+2.9
Net cash flow movement	-2.5	1.8	-4.3
Opening cash balance	1.3	0.4	+0.9
Closing cash balance	-1.3	2.2	-3.5
Free cash flow	0.6	7.8	-7.2

Operational Highlights for H1F12

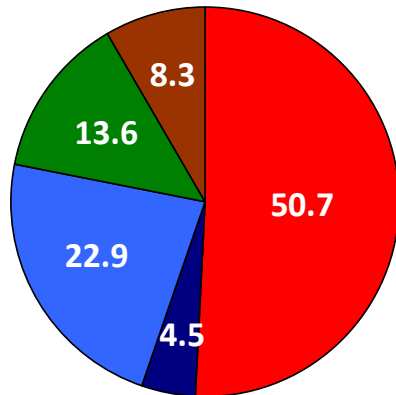


- Successfully negotiated 3 year Enterprise Bargaining Agreements with Bairnsdale Manufacturing team, and National Merchandising team.
- Continuing strong customer service levels.
- Continued development of Occupational Health and Safety management system including safety training for over 400 employees in Bairnsdale.
- Completed major consumer research in savoury category to set the framework for continued category growth.
- Further developed our category management capability.
- Our hard working and engaged people continue to make a positive difference to the business and enable the strong earnings growth to continue in challenging trading conditions.

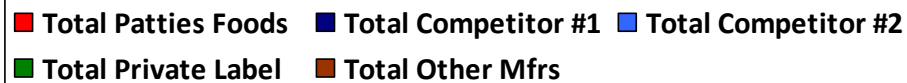
In-Home PFL maintains market leadership



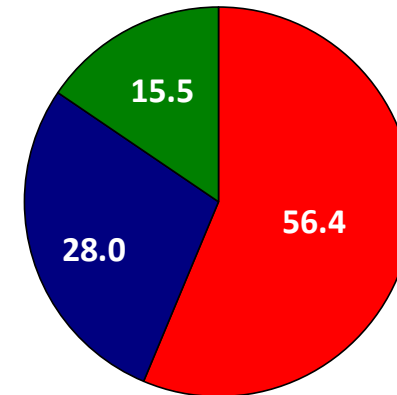
National Excl Aldi
Dollars (000s) Share of Total Frozen Savouries



MAT to Dec 2011



National Excl Aldi
Dollars (000s) Share of Total Fruit Pie



MAT to Dec 2011



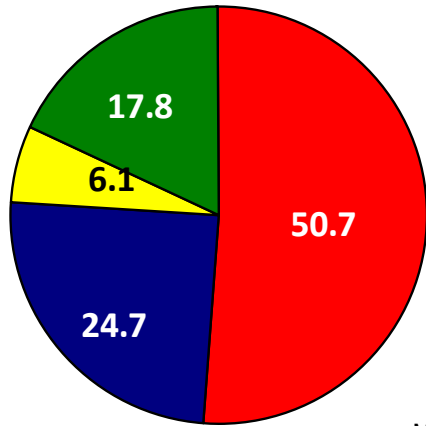
PFL has maintained strong market leadership in challenging trading conditions.

Marketing expenditure for our major brands of Four'n Twenty and Patties continues to support this position.

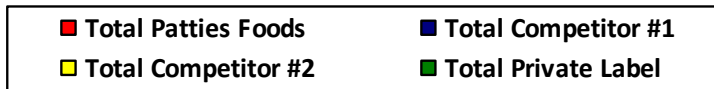
In-Home Frozen Fruit Category PFL retains market leadership



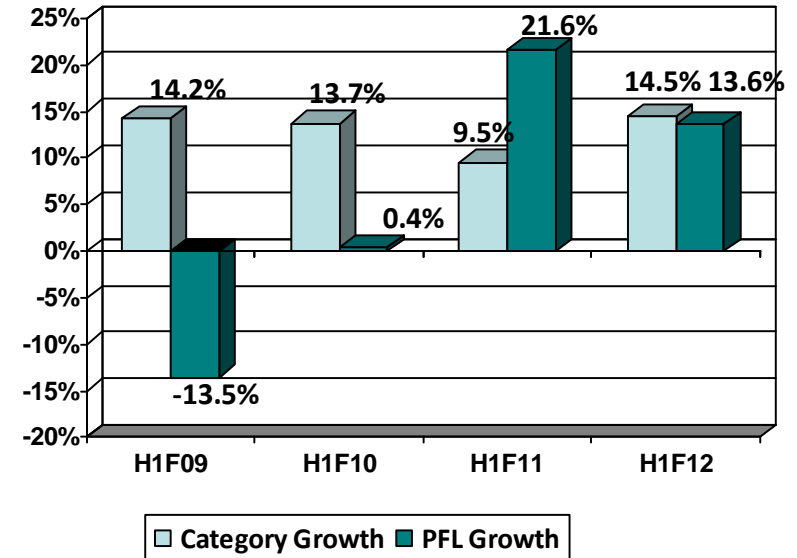
National Excl Aldi
Dollars (000s) Share of Total Frozen Fruits



MAT to Dec 2011



PFL Branded growth from previous corresponding period



PFL has maintained strong market leadership with the growth of Nanna's value range of frozen fruit.

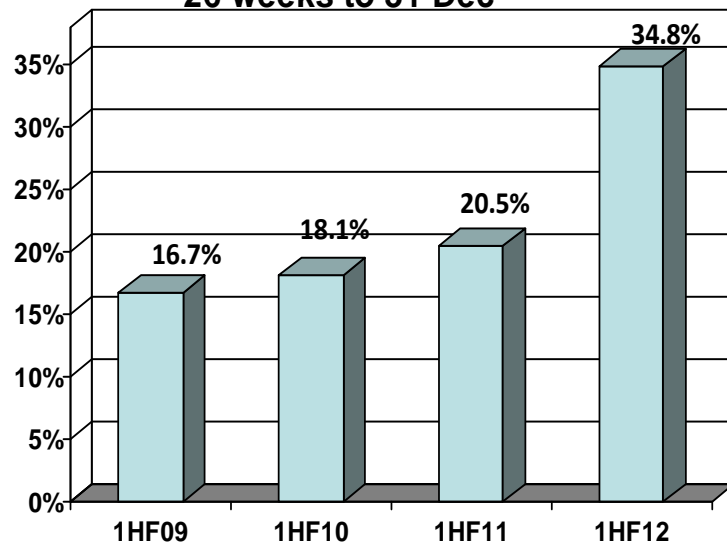
Coles' "Down, Down" price activity on private label has driven growth in the category.

Out-of-Home

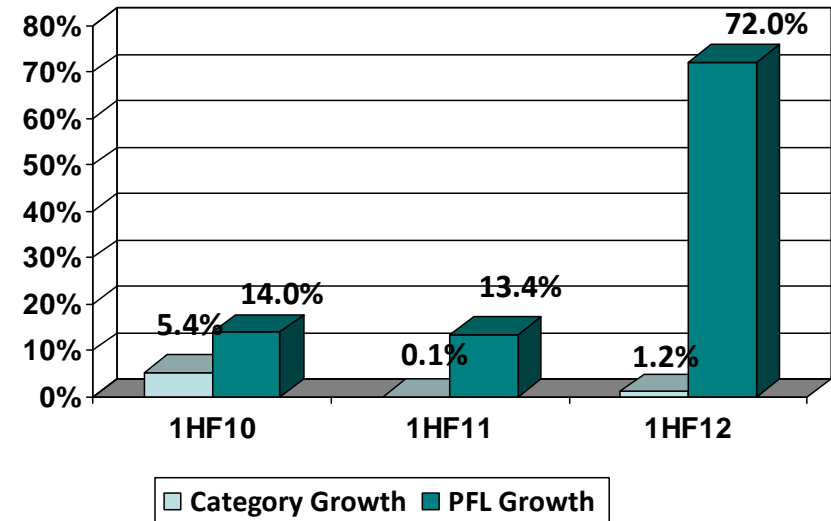
Strong branded growth in Petrol & Convenience



**P&C Market Share -
26 weeks to 31 Dec**



**P&C growth from
previous corresponding period**



The Out-of-Home market remains flat with ABS data showing Cafés and restaurant growth from pcp at 0.7% in the 6 months to December

PFL has achieved strong branded growth in the P&C channel from:

- new ranging and distribution – including BP national stores,
- continued conversion of Mobil sites to 7 Eleven group,
- conversion of a major chain from corporate brand to Four'n Twenty brand.

Product Innovation – launched H1F12



Patties East meets West - This new Asian combo pack has achieved pleasing sales levels in the pre-Christmas 2011 period.



Smoothie cubes have generated good sales in their “off-season” (winter/spring). Increased sales are expected with the January/February 2012 summer promotion.

Nanna's combo packs launched with good sales levels in H1F12 and we expect further growth in H2F12.



New Products – Savoury



Four'N Twenty Aussie Classics

Australia's Favourite Flavours

- Featuring Chicken Parma – made with crumbed balls of chicken breast.

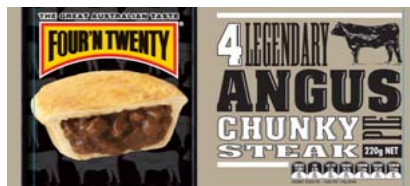
TV and Radio support with new creative.

Ranging in In-Home April 2012

Ranging in P&C banners, 7 Eleven and Caltex, and sporting venues from March 2012.



In Home Range



Chunky



Potato top



Out-of-Home Range

Four'N Twenty Angus

2 New Variants

Ranging in In-Home April 2012

Ranging in OOH from July 2012

Smoothie Cubes “Just add Juice” range

- All Natural
- 3 Great Flavours
- Ranging in Coles, Woolworths & Independents from March 2012



Organic Frozen Berries

- All Natural – Certified Organic
- 2 Great Flavours
- Ranging in Coles, Woolworths & Independents from March 2012





Herbert Adams Gourmet Parcels

- Finest quality ingredients
- Unique & appealing format & flavours
- Cements Herbert Adams' centre of plate credentials
- Easy open re-sealable pack – packaging innovation
- Ranging in Coles, Woolworths & Independents from April 2012

appealing
delicious snack variety quality
different fresh
gourmet fancy convenient meal substantial
easy new colourful healthy inviting
quick adult natural unique
interesting
tasty

Consumers Response...Herbert Adams Qualitative Study
The Lab November 2011



Nanna's Packaging Evolution

- Improved appetite appeal with modern photography.
- Retain brand heritage.
- Greater in-store visibility.

Building

- Completed 2000 m2 packing room building expansion: on budget and on time.
- This building will enable several years of expansion of packing operations.

Palletiser

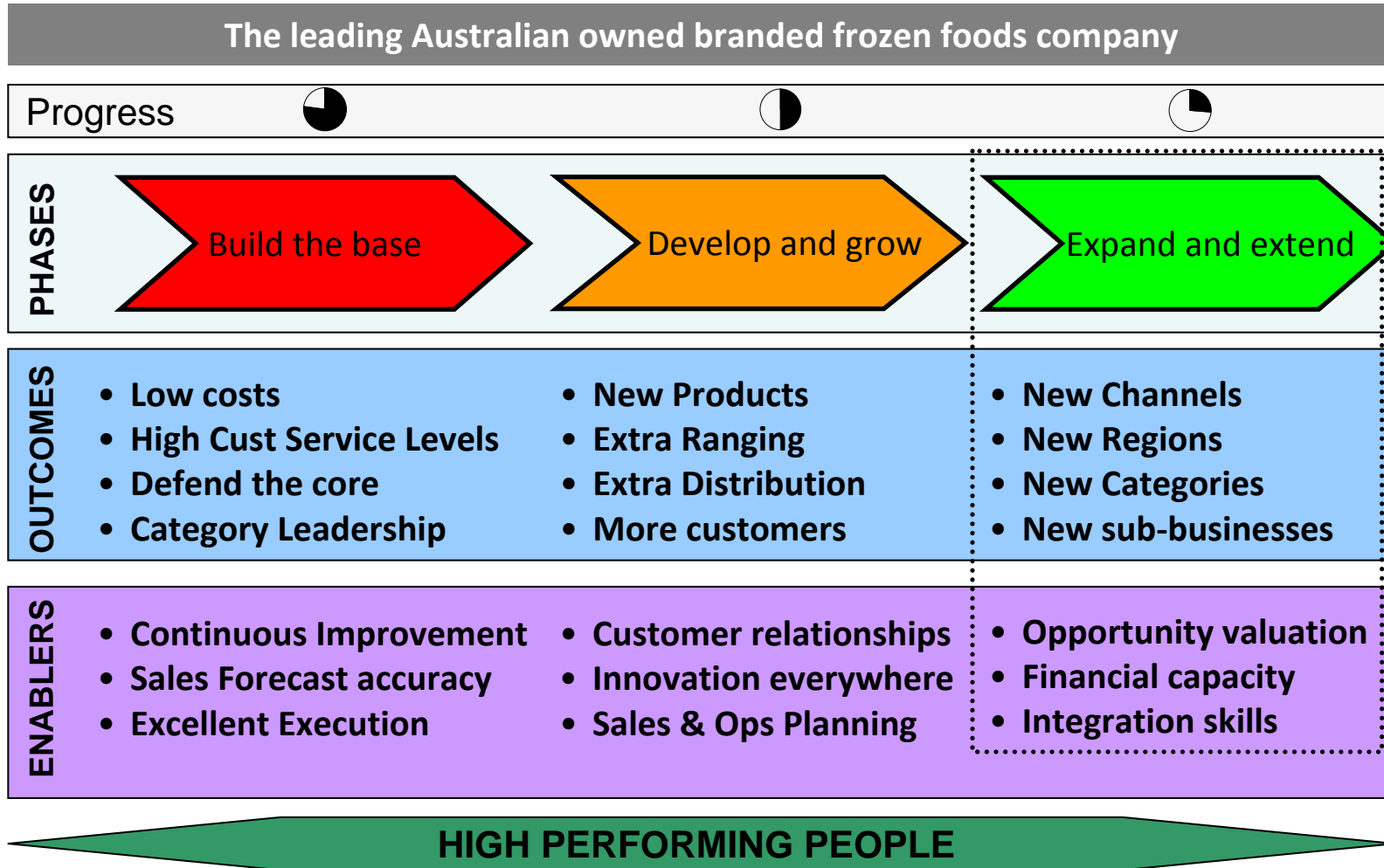
- Completed successful installation and commissioning: on budget and on time.
- Benefits include cost reduction, improved safety and improved inventory management.

Automation

- The supply and installation of the automated pie packing equipment has been delayed to June 2012 and is expected to be commissioned in September 2012.
- The delays were caused by supplier workload and a design issue of a secondary component.
- All issues have been addressed and the project is currently on track to meet the revised timeline.
- Our testing of the equipment at the supplier's premises continues to provide a high degree of confidence that the equipment will operate well and deliver the benefits planned.

Strategic Framework Update

Current focus is on Expand and Extend



In FY12 and FY13 we will continue the *Develop and Grow* and *Expand and Extend* strategic initiatives.



	F12 and F13 Growth Initiative	Expected Outcome
Operational improvements	Further leverage economies of scale and reduce down-time to improve production efficiency. Optimise SKU portfolio to maximise margin.	Reduce unit costs through fractionalisation of fixed costs, and reduce direct costs. Improve Return on Assets
Customers	Continue engagement with key accounts to leverage growth opportunities. Continuing support of Brumby's supply contract.	Capture growth opportunities through category and channel growth. Successful integration into the Brumby's network.
New Businesses	Acquisition strategy	Identify suitable businesses that leverage PFL's competencies and add shareholder value.
Regions and Channels	Develop Export strategy. Implement Chefs Pride Growth strategy	Detailed Export plans for FY13 Increased earnings from Chef's Pride.
Brand	Continue investment in savoury brands of Four'n Twenty, Patties and Herbert Adams. Major TVC - Creative Gourmet Smoothie Cubes Develop and grow dessert brands.	Increased revenue from new products. Increased revenue of Smoothie Cubes. Increased revenue from Nanna's range .
Consumer	Share with customers our insights into consumer behaviour to shape business plans.	Comprehensive business plans to create increased demand.
Capital Works	Complete commissioning of Packing Automation project.	Improved efficiencies.
Balance Sheet and Working capital management	Improved inventory utilisation and demand management.	Improved inventory stock turns.
People	Drive "Values" based leadership initiatives and programs across the business	Imbed high performance culture and leverage the growing talent base.

The economic climate continues to be volatile.

Low consumer confidence represents a challenging trading environment.

However with

- our pipeline of new products to be launched in H2F12,
- the contribution from our new contracts and
- continuing manufacturing efficiencies,

and with the resilience of our major categories in uncertain economic times, we expect continued earnings improvement for the remainder of FY12.

Our brands meet demand from many types of consumers

