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24 September 2015

Announcements Officer
Company Announcements Platform
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Proposed issue of Performance Rights under the Patties Foods Long Term Incentive Plan (Plan)

Patties Foods Limited (ASX: PFL) announces that it has decided to make available a total of 713,757 rights (Performance Rights) to acquire a like number of fully paid ordinary shares in the company to certain key management personnel of the company, including 248,571 Performance Rights to the managing director, Steven Chaur, with effect from the grant date of 30 September 2015.

The grant of Performance Rights to the managing director is subject to shareholder approval under Listing Rule 10.14.

Summary of key aspects of the Plan

1 Purpose

The purpose of the Plan is to enable eligible employees of the Company to acquire Performance Rights for purposes including:

- motivating and retaining eligible employees; and
- attracting high quality persons as eligible employees;

by enabling them to share the rewards of any capital growth in the Company.

2 Consideration for the Rights

The Performance Rights will be granted for nil consideration.

3 Vesting

The relevant number of Rights will be tested following the end of the Performance Period 1 July 2015 to 30 June 2018, and vest to the extent that the Performance Hurdles have been satisfied and also subject to continued employment with the Company.



4 Performance Hurdles

Vesting of the Performance Rights is dependent on two discrete performance measures:

- Earnings per Share (EPS) representing 50% of the total grant; and
- Relative Total Shareholder Return (TSR) representing 50% of the total grant.

5 Vesting Schedule

5.1 EPS Vesting Schedule

EPS (basic earnings per share on a normalised basis) performance of the Company will be measured on a compound annual growth in EPS of the Group over the relevant 3 year Performance Period stated as a percentage (EPS Growth Percentage). If the EPS Growth Percentage over the relevant Performance Period is:

- less than 8% per annum, no Performance Rights subject to the EPS performance measure (**EPS Rights**) will vest;
- 8% per annum, 50% of the EPS Rights will vest;
- 12% per annum or more, 100% of the EPS Rights will vest; or
- greater than 8% per annum but less than 12% per annum, the number of EPS Rights that vest will be determined proportionately on a straight line basis from 50% to 100%.

The Board may in its discretion adjust the required EPS Growth Percentage to take into account events including without limitation, acquisitions or disposals of businesses or capital assets by the Company during the Performance Period.

5.2 TSR Vesting Schedule

TSR of the Company will be measured against selected companies within the "Consumer Staples" GICS Sector and "Food and Staples" GICS Industry Group and "Food, Beverage and Tobacco" GICS Industry Group with a market capitalisation relevant to Patties' market capitalisation at the grant date. The Board may in its discretion adjust the comparator group to take into account events including without limitation takeovers, mergers, delistings or demergers that occur during the Performance Period. If relative TSR performance of the Company against the comparator group is:

- below median performance, no Performance Rights subject to the TSR performance measure (**TSR Rights**) will vest;
- at median performance, 50% of the TSR Rights subject to TSR will vest;
- above median performance but below the 75th percentile, an additional 2% (or part thereof) of the TSR Rights will vest for each 1 percentile increase (or part thereof) above the 50th percentile; or
- at or above the 75th percentile, 100% of the TSR Rights will vest.

6 Vesting Acceleration Events

Consistent with the terms of the Plan, there will be, subject to any necessary shareholder approval, certain vesting acceleration events on certain types of termination of employment (excluding resignation or dismissal for cause, in which event Performance Rights lapse) as well as on a Change of Control of the company. In determining any

accelerated vesting, the Board will take into consideration the achievement of the Performance Hurdles (on a pro-rata basis).

The total number and class of all quoted and unquoted securities in the Company prior to the grant outlined in this letter are as follows:

Quoted securities

139,234,153 Ordinary Shares

Unquoted securities

437,506 Performance Rights

Yours faithfully



CLINTON ORR
Company Secretary