



ABN 62 007 157 182

3 December 2009

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**Proposed issue of options under Patties Foods Long Term Incentive Plan (Plan)**

Patties Foods Limited (ASX: PFL) announces that it has today agreed to offer a total of 3 million options to acquire a like number of fully paid ordinary shares in the company to certain key management personnel of the company (detailed below), including 1.2 million options to the Managing Director, Greg Bourke.

The options will comprise the first offer of options under the Plan summarised in the company's 2006 prospectus.

The grant of options to the Managing Director is subject to shareholder approval under Listing Rule 10.14.

Further particulars of the term of the options are detailed below.

When making the announcement today, Chairman, Chris Riordan stated:

"As indicated at the recent annual general meeting, it is important that key management personnel understand that outstanding performance will be appropriately rewarded. The Plan's performance hurdles represent a significant challenge for management and reflect the fact that financial performance was disappointing in the Base Year (FY2009)."

"The objective of the Plan is to reward senior executives in a manner that aligns this element of compensation with the creation of shareholder wealth.

It is expected that a new Head of Sales will be appointed in the near future. The appointee will be offered participation in the Plan but with a strike price based on the VWAP applying at the time of appointment." Mr Riordan said.



## Summary of key aspects of the Plan

1. **Consideration for Options** – the options will be granted for nil consideration.
2. **Strike Price** – the strike price for all participants in the current offer will be based on the volume average weighted price (**VWAP**) of ordinary shares in the company in the period from 1 July 2009 to the date of grant of the options (expected to be 3 December 2009).
3. **Performance Hurdles** - vesting of the options will be subject to the achievement of specified compound annual earnings per share growth (**EPS Growth**). EPS is the base earnings per share on a normalised basis. The base year (**Base Year**) for determining the EPS Growth calculations is FY2009 (8.5 cents).

EPS Growth will be measured over -

- \* 3 consecutive financial years ending FY2012 for 50% of the options (**First Tranche**); and
- \* 4 consecutive financial years ending FY2013 for the remaining 50% of the options (**Second Tranche**).

### 4. Vesting Schedule

#### FIRST TRANCHE

EPS Growth over 3 year period	Proportion of option grant vesting
Less than 23% per annum	0%
Equal to 23% per annum	50%
Greater than 23% per annum but less than 26% per annum	Proportionate vesting in a straight line between 50% and 100%
26% per annum or greater	100%

#### SECOND TRANCHE

EPS Growth over 4 year period	Proportion of option grant vesting
Less than 19.5% per annum	0%
Equal to 19.5% per annum	50%
Greater than 19.5% per annum but less than 23.5% per annum	Proportionate vesting in a straight line between 50% and 100%
23.5% per annum or greater	100%

5. **Vesting Acceleration Events** - consistent with the terms of the Plan there will be, subject to any necessary shareholder approval that may be required, certain vesting acceleration events on certain types of termination of employment (excluding resignation or dismissal for cause, in which event options lapse) as well as on a Change of Control of the company. To the extent accelerated vesting requires the approval of shareholders, shareholders will be asked for approval at the time the shareholder approval mentioned above is sought.

<b>Participants</b>	<b>Number of Options</b>
Subject to shareholder approval, Greg Bourke - Managing Director	1,200,000
Michael Knaap - Chief Financial Officer	600,000
Grant Leyden - General Manager Manufacturing	600,000
Jeff Pentney - General Manager Human Resources	300,000
Mark Connolly - General Manager Marketing	300,000

Yours faithfully



**PHILIP THOMAS**  
Company Secretary

**For further information contact:  
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