



**Patties Foods Ltd**  
ABN 62 007 157 182

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19 August 2013

Announcements Officer  
Company Announcements Platform  
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South Rialto Tower  
525 Collins Street  
**MELBOURNE VIC 3000**

**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 540,000 rights (Performance Rights) to acquire a like number of fully paid ordinary shares in the company to certain key management personnel of the company (detailed below), including 180,000 rights to the managing director, Greg Bourke, with effect from the grant date of 3 September 2013.

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 2013 to 30 June 2016, and vest to the extent that the Performance Hurdles have been satisfied and also subject to continued employment with the Company.



**Patties**



Creative Gourmet



## 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 Periods 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 – food Products sub-Industry Sector, the “Hotels, Restaurants and Leisure” GICS Sector; and the “Personal Products” GICS Sector 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 75<sup>th</sup> percentile, an additional 2% (or part thereof) of the TSR Rights will vest for each 1 percentile increase (or part thereof) above the 50<sup>th</sup> percentile; or
- at or above the 75<sup>th</sup> 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).

## 7 Participants and Performance Rights

Participant	Number of Performance Rights
Greg Bourke – Managing Director (subject to shareholder approval)	180,000
Michael Knaap - Chief Financial Officer	90,000
Grant Leyden – General Manager Manufacturing	90,000
Tim Peters – Head of Sales	90,000
Jeff Pentney – General Manager People and Organisation	45,000
Mark Kluver – General Manager Logistics	45,000
<b>TOTAL</b>	<b>540,000</b>

The total number and class of all quoted and unquoted securities in the Company are as follows:

Quoted securities

139,065 639 Ordinary Shares

Unquoted securities

926,400 Performance Rights

Yours faithfully



**MICHAEL KNAAP**  
Company Secretary