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Solid Performance from Core Savoury and Sweet Pastry Business Frozen Berries Recall Impacts FY15 NPAT

Preliminary FY15 Earnings Update

On the basis of preliminary results now available, with the important trading months of April and May completed, Patties Foods Limited (PFL) expects that the underlying⁽¹⁾ Net Profit After Tax (NPAT) for FY15 will be approximately \$15.0m (FY14: \$16.7m).

This includes the expected loss of earnings of approximately \$1.5m NPAT during FY15 resulting from the frozen berries recall in February 2015.

The Company also expects that FY15 reported NPAT is likely to be affected by a potentially material significant, but primarily non-cash item relating to the frozen berries recall, that is likely to result from the financial year-end review of asset valuations (intangibles and inventory) and the various recovery processes currently underway.

Managing Director and CEO, Mr Steven Chaur said, *"We have been significantly impacted in FY15 through loss of NPAT of approximately \$1.5M as a result of the frozen berries recall event. PFL's core savoury and sweet pastry brands continue their solid performance, despite significantly increasing meat prices."*

During FY15 the business:

- *Invested an additional \$1.6M in branded marketing activities, mainly FOUR'N TWENTY brand activation and successfully launched innovative new products;*
- *Mitigated the financial impact of significantly increasing meat prices;*
- *Accelerated Continuous Improvement strategies at the Bairnsdale Bakery;*
- *Undertook a company-wide reorganisation to improve productivity, reduce complexity and decision making which has delivered and is expected to continue to deliver important future cost savings."*

This earnings update is based upon actual management accounts to the end of April 2015 and sales for May 2015 and is therefore subject to the trading performance during the critical month of June, finalisation of the FY15 accounts by the Company and the accompanying external audit.

The FY15 earnings announcement is scheduled for 24 August 2015 at which time the Company will provide a more comprehensive review of the financial results.

FY15 Dividend

As previously announced on 24 February 2015, the Board decided to defer consideration of an interim dividend until the financial impacts around the frozen berries recall became clearer. The Board's decision, together with a possible final dividend, will be further considered by the Board when it reviews the financial statements for FY15.

Frozen Berries Recall

As announced on 15 April 2015, PFL has completed its microbiological and viral testing of samples of recalled berry products with these results showing no detection of HAV or E.coli. PFL continues its 'positive release' protocol on all its frozen berry products, which means every batch is now tested in Australia for HAV and E.coli, and are only released to market when negative test results are provided. All Nanna's and Creative Gourmet berries now being released to supermarkets have passed this test with nil detection. Nanna's and Creative Gourmet berries are amongst the most rigorously microbiologically tested berries now sold in the Australian market.

⁽¹⁾ *Excluding significant items associated with restructuring costs of \$792k post tax occurring in 1H15 & the potentially material significant, but primarily non-cash item relating to the frozen berries recall, that is likely to result from the financial year-end review of asset valuations (intangibles and inventory) and the various recovery processes currently underway.*