



Retail Food Group Limited

Results Presentation – 31 December 2010 (IH11)

Retail Food Group Limited (ASX: RFG)



- RFG designs, develops and manages retail franchise systems and is the intellectual property owner and licensor of the following franchise systems:
 - Donut King
 - Michel's Patisserie
 - Brumby's Bakeries (including Big Dad's Pies)
 - bb's café, and
 - Esquires Coffee Houses (acquired February 2011)
- Circa 1,150 franchise outlets operating throughout Australia (1050), New Zealand (88) and China (10) ⁽²⁾
- Market capitalisation of c.\$311m ⁽¹⁾
- Enterprise value of c.\$379m ⁽¹⁾
- Model developed to deliver strong and consistent free cash flows with low capital inventory
- In both very challenging and volatile retail conditions, RFG continues to deliver strong operational results and stakeholder outcomes, exemplifying the strength of its brands, the resilience of its franchise systems and the increasing diversity of its revenue streams

(1) As at 31 December 2010

(2) As at 7 February 2011

1H11 Strength In Brands



- Continued growth notwithstanding challenging retail trading conditions:
 - Core NPAT: \$14.1m (↑ 12.6% on pcp)
 - Core EPS: 13.2 cps (↑ 6.5% on pcp)
 - Dividends: 7.0 cps (↑ 33.3% on pcp) increasing Dividend payout ratio to 55.2% ⁽¹⁾
 - Continued strong net cash inflows from operating activities for 1H11 at \$13.3 million reflecting a conversion to EBITDA of 101.3% (1H10: 98.6%)
 - Net debt: \$67.7m (↓ 7.1% on pcp) resulting in lowest Gearing Ratio ⁽²⁾ (31.1%) since acquiring the Brumby's Bakeries and Michel's Patisserie franchise systems in 1H08
- Continued focus on positive operational outcomes during 1H11:
 - Each franchise system reported positive weighted average weekly sales (AWS) and average transaction values (ATV)
 - Excellent performance of coffee operations led to critical acclaim for Michel's Patisserie coffee offering (Choice Magazine July 2010)
 - Rapid integration of FY10 acquisitions
 - Further success in development of international opportunities including acquisition of 46 outlet Esquires Coffee Houses franchise system ⁽³⁾ and continuing negotiations with other potential licencees
 - Emphasis on franchisee health and profitability with a number of franchisees taking up system conversion opportunities
 - Continued conversion of the Michel's Patisserie wholesale system to a royalty-based model
 - Further refinement of national wholesale bakery supply chain strategy:
 - Successful completion of QLD bakery distribution pilot program
 - Pilot commencing in SA, VIC and NSW in March 2011

(1) Based on FY11 interim dividend of 7.0 cps

(2) Gearing ratio = net debt / (net debt + (equity less hedge reserve))

(3) Completed February 2011

Summary Information



	Statutory Results						Core Operations ⁽¹⁾		
	1H07	1H08	1H09	1H10	1H11	PCP %	1H10	1H11	PCP %
Franchise Network Sales ⁽²⁾	\$79.2m	\$306.3m	\$320.9m	\$321.2m	\$326.7m	1.7%			
Total Revenue ⁽³⁾	\$12.4m	\$50.2m	\$69.7m	\$61.3m	\$60.3m	(1.6%)			
Adjusted Revenue ⁽⁴⁾				\$32.7m	\$38.6m	18.0%			
EBIT	\$6.3m	\$16.8m	\$19.8m	\$21.5m	\$22.2m	3.3%	\$21.5m	\$22.9m	6.4%
NPAT	\$3.9m	\$8.9m	\$10.6m	\$12.5m	\$13.6m	8.9%	\$12.6m	\$14.1m	12.6%
Basic EPS	5.5 cps	11.2 cps	10.7 cps	12.4 cps	12.8 cps	3.2%	12.4 cps	13.2 cps	6.5%
Interim Dividend	3.125 cps	4.0 cps	4.5 cps	5.25 cps	7.0 cps	33.3%			
Franchised Outlets	349	1,051	1,066	1,055	1,102	4.5%			
New Outlets Commissioned	24	41	37	20	20				

(1) Results from 'Core Operations' exclude amounts recognised in the income statement relating to the pre-tax impact of:

- derivative financial instruments (interest rate swaps) (1H11: \$0.9m loss; 1H10: \$0.1m loss); and,
- derivative financial instruments (foreign exchange forward contract) (1H11: \$0.1m gain; 1H10: \$nil).

(2) Derived from financial information including franchisee-reported turnover and not subject to audit.

(3) Excludes revenue derived from marketing activities (1H11: \$7.1m; 1H10: \$8.1m; 1H09: \$6.9m; 1H08: \$5.2m; 1H07: \$3.3m).

(4) Adjusted Revenue excludes sales revenue derived from the wholesale bakery supply to Michel's Patisserie outlets which is transitioning from a wholesale supply and distribution model to a traditional royalty based model (1H11: \$21.7m; 1H10: \$28.6m).

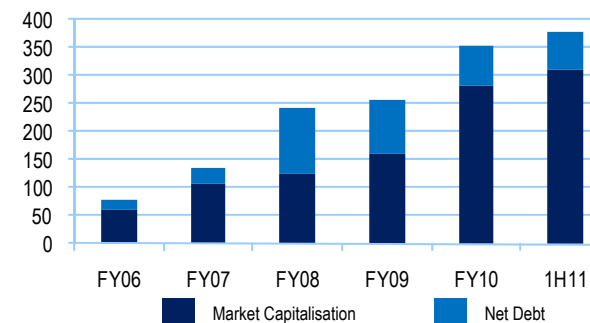
Financial Highlights



- Positive shareholder outcome:
 - Core EPS up 6.5% to 13.2 cps
 - Interim dividend of 7.0cps fully franked (up 33.3% on pcp) ⁽¹⁾
 - Dividend payout ratio exceeding 55%
 - Sustained increase in market capitalization and enterprise value in 1H11
- Core NPAT increase of 12.6% to \$14.1m (over 1H10:\$12.6m) attributable to:
 - Gross margin expansion of 3.9% to 66.5%
 - Contribution of FY10 acquired businesses and Brumby's master regions
 - Increasing franchisee demand on coffee assets
 - Continuing realisation of acquisition synergies and revenue liberation, and
 - Improved supplier relationship leveraging and licensing.
- Statutory NPAT of \$13.6m (1H10: \$12.5m) includes impact of derivative financial instruments, amounting to \$0.5m unfavourable post-tax impact (1H10: \$0.1m unfavourable post-tax)
- RFG 1H11 EBIT and NPAT performance particularly noteworthy given the disruptive weather events in December compounded by reduced franchisee trading days – in peak period - due to increased labour costs on public and other designated holidays

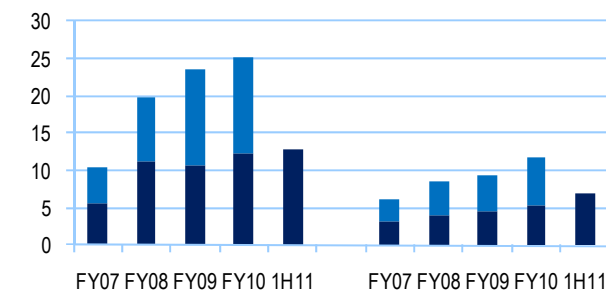
(1) Based on FY11 interim dividend of 7.0 cps

Shareholder Wealth



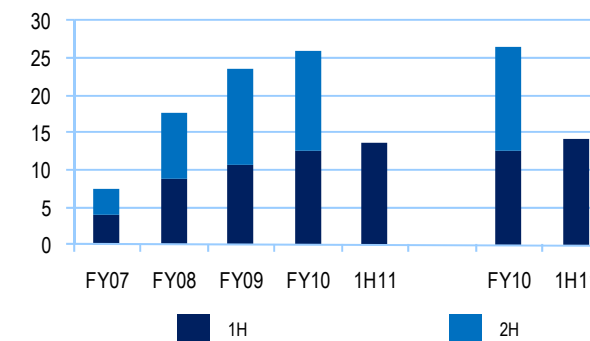
EPS

DPS



NPAT

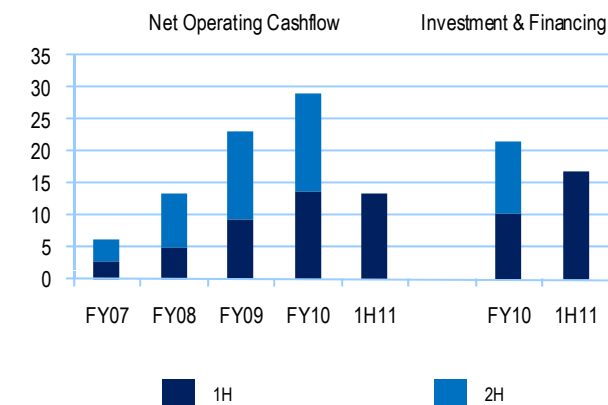
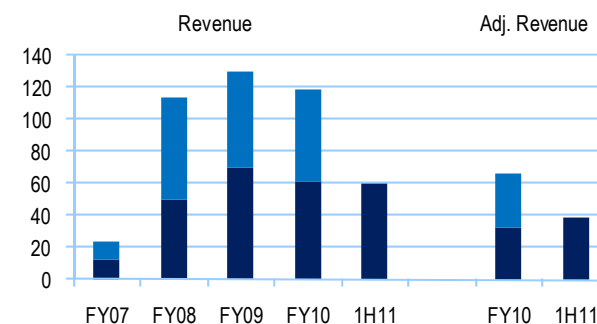
Core NPAT



Financial Highlights



- Decline in Revenue of 1.6% consistent with programmed model change::
 - 1H11: \$60.3m v 1H10: \$61.3m
 - Ongoing transition of Michel's Patisserie franchisees from wholesale bakery model to traditional royalty model (234 as at 31 December 2010), including full rollout of bakery-to-franchisee distribution for Queensland outlets
 - Franchise revenue increased 8.5% to \$33.7m
- Adjusted Revenue increase of 18.0% or \$5.9m) - excludes the impact of sales revenue derived from the wholesale bakery supply to Michel's Patisserie outlets which are transitioning from a wholesale supply and distribution model to a traditional royalty based model (1H11: \$21.7m v 1H10: \$28.6m)
- Strong cash flows continue:
 - Net cash inflow from operating activities of \$13.3m represents a conversion to EBITDA of 101.3% (1H10: 98.6%).
 - Supported further voluntary debt reduction of \$9.0m in July 2010
 - Contributed to lower net debt position of \$67.7m as at 31 December 2010, down \$5.2m from \$72.9m in FY10
 - Used to fund acquisition and partial development of new national head office, incorporating expanded training and R&D facilities
- Net debt position as at 17 February 2011 is \$76.0m post-acquisition of Esquires Coffee Houses on 7th February 2011



Operational Highlights



- Resilient franchise systems:
 - Network sales up \$5.5m to \$326.7m
 - Weighted AWS up 2.3% underpinned by coffee growth
 - Weighted ATVs up 2.4% reflecting continuation of product bundling initiatives
 - Customer count down 0.7% indicates shopping centre foot traffic decline arrested
- 1H11 organic outlet growth of 20 consistent with guidance, and reflective of continued depressed shopping centre development activity and reduced premium site opportunities
- Coffee roasting operations driving synergies and enhancing quality:
 - Michel's Patisserie rated "Best Tasting Coffee Franchise" by Choice Magazine (July 2010)
 - Expansive marketing campaigns to increase coffee brand awareness and consumption
 - Rollout of Barista's Choice to non-franchisee customers
- Successful conversion of 234 Michel's Patisserie franchisees to royalty-based model and rollout of QLD bakery-to-franchisee distribution
- Re-allocation of resources to increase investment in franchisee training and servicing
- Completed acquisition of property to house new national office accommodating:
 - Over twice the size of present national office
 - Significantly expanded training and R&D facilities
 - Allows Brumby's Bakeries franchisees to be trained in-house and in significantly reduced timeframe
 - Operational training efficiency to be enhanced by easing of training bottlenecks and increased throughput
 - Capacity to consolidate remaining NSW, VIC and NZ administration functions

Debt Structure & Covenants



- Senior debt facility of \$85.0m refinanced with National Australia Bank (NAB) on 31 August 2010:
 - 3 year term
 - Structure allows for voluntary repayment of debt
 - Covenants consistent with those existing under prior facility and limited to interest cover, leverage and gearing
 - Step down pricing targets (range 170bps to 150bps) over BBSY
 - Commitment to enlarge facility to support growth
- All covenants comfortably complied with as at 31 December 2010 - lowest Gearing ratio (31.1%) since completion of Brumby's Bakeries and Michel's Patisserie acquisitions in 1H08
- Senior facility expanded to \$95.0m during January 2011, providing headroom for:
 - Completion of new national head office, training and R&D facility
 - Further acquisition opportunity
- In July 2010, as part of the Group's Debt Facility management strategy, RFG terminated the following swaps:
 - Interest rate swap with a notional principal value of \$22.8 million (as at 30 June 2010) and a termination date of 31 March 2011; and
 - Interest rate cap with a notional principal value of \$7.8 million (as at 30 June 2010) and a termination date of 30 June 2012
- At 31 December 2010, two interest rate swaps remain with a notional principal of \$67.7 million and a weighted average interest rate of 7.4%.

'NAB' Facility	1H11	FY10	Change %
Net debt (\$'m)	67.7	72.9	(7.1%)
Trailing interest expense (\$'m)	6.7	7.2	(6.9%)
Interest cover (times)	7.01	6.15	14.0%
Operating cash flow (\$'m)	13.3	29.2	
Leverage ratio	1.45	1.89	(23.3%)
Gearing ratio (net debt / (net debt + equity))	31.1%	34.4%	

Franchise System Metrics - KPIs



System	Average Weekly Sales (AWS)		Average Transaction Values (ATV)	
	1H11	1H10	1H11	1H10
Donut King	9,853	9,716	5.25	5.08
<i>Growth v prior period</i>	1.4%	0.7%	3.4%	4.3%
bb's café	11,715	11,408	7.59	7.37
<i>Growth v prior period</i>	2.7%	0.2%	3.0%	2.9%
Brumby's Bakeries	13,766	13,731	5.94	5.85
<i>Growth v prior period</i>	0.3%	1.1%	1.6%	4.1%
Michel's Patisserie	12,881	12,517	6.55	6.43
<i>Growth v prior period</i>	2.9%	1.5%	1.8%	0.2%

- Revenue base expansion results in less reliance on and sensitivity to AWS metrics in terms of RFG performance
 - AWS growth in 3 out of 4 systems exceeded pcg growth
 - Quantum of AWS growth reflective of depressed shopping centre development, extension and refurbishment
 - Reliance on ATV growth to sustain AWS is decreasing
 - ATV increases continue to fortify franchisees against subdued shopping centre traffic
 - First time in 4 years where AWS and ATV growth (weighted average) are approximately equal
- Franchisee health continues to be RFG's focus
 - Micro management of occupancy and supplier costs
 - Substantial resources invested in training and training programs
 - System conversion opportunities being investigated and conducted for franchisees
- Continuing emphasis of coffee in Michel's Patisserie product mix maintaining franchisee AWS

Franchise System Metrics - Outlets



System	OLD	NSW	VIC	TAS	SA	WA	NT	Aust	China	NZ	Total
Donut King	99	143	69	8	11	13	3	346	10	-	356
bb's café	20	1	9	-	7	-	-	37	-	21	58
Brumby's Bakeries ⁽¹⁾	158	33	67	1	19	50	9	337	-	17	354
Michel's Patisserie	56	180	60	-	23	11	-	330	-	4	334
Total	333	357	205	9	60	74	12	1,050	10	42	1,102

- 1H11 total outlet growth of 20 made up by organic commissioning only
 - 46 Esquires Coffee Houses outlets to be included in 2H11 metrics
- Other developments:
 - China (2 outlets) as it commissions single unit franchising in 2H11
 - Conversions of DCM Coffee & Donuts in progress, further 4 programmed for 2H11
 - Increased outlet population of past 3 years results in threshold for outlet retention being increased
- Net outlet decline (20) in 1H11 represents a decrease of 1.8% of outlet population as a consequence of:
 - Insolvency and subsequent closure of 7 Big Dad's Pies outlets (associated with the original owner and vendor of the Big Dad's Pies franchise system)
 - Continuing stagnant new shopping centre development and reduction in premium site opportunities
 - Rationalization of non-performing outlets (site location, servicing costs, franchisee suitability & debt servicing capability)

(1) Includes Big Dad's Pies

Acquisitions



	Acquired Outlets	Date Of Acquisition	Purchase Consideration \$'m	Cash Consideration \$'m	Scrip Consideration \$'m
Esquires Coffee Houses					
- New Zealand Master Franchise Business ('MF Contract')	46	7 Feb 2011	\$7.4	\$6.9	\$0.5
- New Zealand & Australia Intellectual Property Rights ('IP Contract')		7 Feb 2011	\$1.4	\$1.4	-
Total consideration:			\$8.8	\$8.3	\$0.5

- Esquires Coffee Houses franchise system acquired 7 February 2011.
- Acquisition consists of two components:
 - New Zealand master franchise business consisting of 46 outlets (MF Contract)
 - Intellectual Property for the territories of New Zealand and Australia (IP Contract)
- Total acquisition cost of \$8.8m:
 - \$8.3m cash funded from existing reserves and Senior Debt Facility
 - \$0.5m (\$0.6m NZD) to be funded in RFG scrip on 7 August 2011, subject to sliding scale mechanism conditional on vendor meeting certain performance criteria with regard to the establishment of additional ECH outlets
- Strategic acquisition designed to support bb's café system operations in New Zealand and attain growth momentum in Australia via alignment of marketing, procurement and personnel
- Post acquisition population of combined bb's café/Esquires increases from 58 to 104
- Contribution of c. \$1.4m to annual EBIT, upon full integration of master franchise business
- Post integration blended EV/EBITDA multiple anticipated less than 6 times



2H11 Outlook



2H11 Initiatives

- Development of new products and menu innovations
- Expansion of successful online ordering sites
 - Michel's Patisserie online store sales have increased 57.1% since launching the national online ordering website (onlineorders.michels.com.au) in November 2010
 - Barista's Choice online store (www.caffecoffee.com.au) launch early 2H11
- Accelerated realignment of Big Dad's Pies outlets to Brumby's Bakeries franchise system
 - Financial and non financial support packages incentivising outlet conversion
 - 4 commitments for conversion in 2H11
- Michel's Patisserie wholesale bakery to franchisee pilot expanded following success in Qld to NSW, VIC and SA
 - Completes the system conversion for Michel's franchisees from the original wholesale model to traditional royalty model
- Further development of non traditional sites and international licensing opportunities

Acquisitions

- Integration of Esquires Coffee Houses (acquired February 2011) into RFG franchisee support framework
- Evaluation of complementary and competition based retail food franchise systems; evidence of increasing M&A activity in retail food franchise sector post GFC

FY11 Guidance



- January trading performance
 - Impact of Qld weather events (SE Qld flooding and Cyclone Yasi)
 - 152 outlets impacted, 6 remain closed
 - Continuing to assess damage sustained and cost of reinstatement
 - The long term financial, physical and emotional wellbeing of our affected franchisees will take precedence over all other financial considerations
 - Investigations underway for conversion opportunities for some franchisees
 - Notably, Brumby's Bakeries outlets AWS in Qld up 15% compared to January 2010
 - Other States / NZ
 - Financial metrics on or above budget for month of January 2011
 - Tough, volatile and unpredictable retail conditions continue - does appear that the consumer has made a conscious decision to curtail retail spending
- Full Year Guidance
 - Organic store commissionings in 2H11 = 20 in line with FY11 guidance previously given
 - Esquires Coffee Houses programmed commissionings = 6
 - Due to impact of Qld weather events, core FY11 NPAT increase anticipated to be in range of 5-10%

Appendices



Appendix 1 – 1H11 Performance

Appendix 2 – Earnings Performance

Appendix 3 – Cashflow Performance



Appendix 4 – Financial Position

Appendix 5 – Franchise Systems



- Donut King

- bb's café

- Brumby's Bakeries, including
 - Brumby's GO! Concept
 - Big Dad's Pies Concept

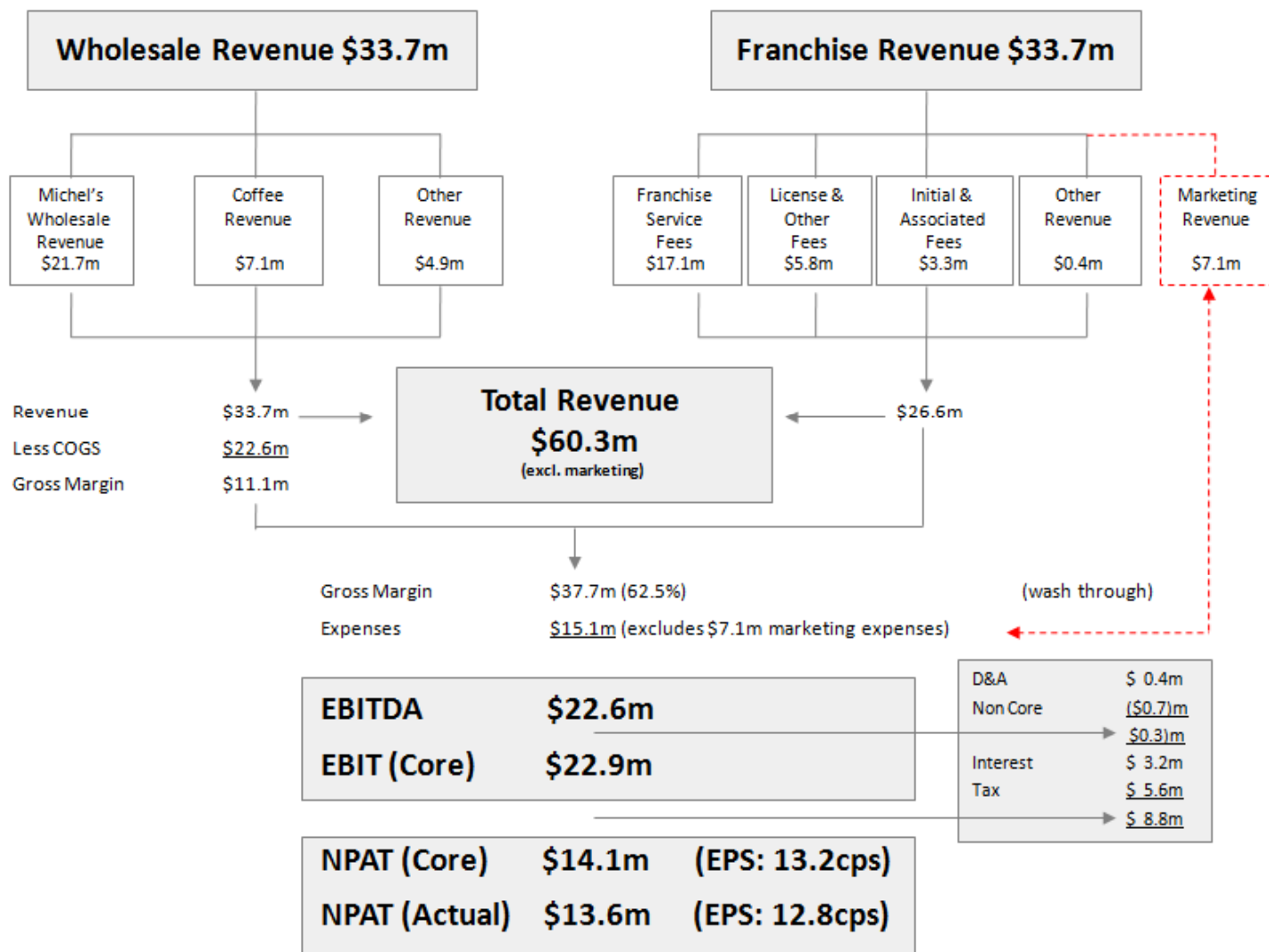


- Michel's Patisserie



- Esquires Coffee Houses

Appendix 1 – 1H11 Performance



Appendix 2 - Earnings Performance



	1H11 \$'m	1H10 \$'m
Revenue from franchising operations	33.7	30.7
Revenue from wholesale / retail operations	33.7	38.6
	67.4	69.3
Cost of sales	(22.6)	(25.9)
Gross margin	44.8	43.4
Gross margin %	66.5%	62.6%
Overhead expenses	(11.2)	(11.2)
Company store expenses	(3.2)	(2.0)
Marketing expenses	(7.1)	(8.1)
Other gains and losses	(0.7)	(0.1)
EBITDA	22.6	22.0
Depreciation	(0.4)	(0.5)
EBIT	22.2	21.5
Interest expense	(3.2)	(3.8)
EBT	19.0	17.7
Income tax expense	(5.4)	(5.2)
NPAT	13.6	12.5
Earnings per share	12.8 cps	12.4 cps
Dividends per share	7.00 cps	5.25 cps

Key earnings highlights:

- Core NPAT of \$14.1m (12.6% increase on 1H10) after adjusting for impacts of derivative financial instruments (\$0.5m unfavourable post-tax)
- Record \$13.6m NPAT – a 8.9% increase on 1H10 – achieved during a period of depressed retail conditions demonstrates RFG's resilient business model
- Gross margin expansion to 66.5% (based on combined performance of wholesale/retail and franchising operations segments) reflects benefits of Michel's Patisserie system conversion and related distribution savings, as well as increasing contribution from coffee operations
- Operational expenses held steady notwithstanding increased resources to franchisee servicing and 4 acquisitions completed in 2H10 – additional servicing funded from administration expense reductions
- Debt reduction contributed \$0.6m to EBT in 1H11 and supports RFG's active debt management strategy based on voluntary debt reductions
- Strong earnings performance supports excellent cash flows and allows increasing dividend payout ratio with record dividend returned to shareholders

Appendix 3 - Cash Flow Performance



	1H11 \$'m	1H10 \$'m
Receipts from customers	74.8	75.5
Payments to suppliers and employees	(51.9)	(53.8)
Gross operating cash flows	22.9	21.7
EBITDA	22.6	22.0
Ratio of gross operating cash flows to EBITDA	101.3%	98.6%
Interest and other costs of finance paid	(2.7)	(3.4)
Income tax paid	(6.9)	(4.5)
Net operating cash inflows	13.3	13.8
Dividends paid	(5.6)	(4.2)
Debt reduction	(9.0)	(10.0)
Acquisitions of business and intangibles	-	(0.1)
Acquisition of property & equipment	(3.0)	(0.3)
Net capital raising	0.8	4.6
Other cash activities	-	(0.3)
	(16.8)	(10.3)
Net (decrease) / increase in cash reserves	(3.5)	3.5
Cash reserves at half year end	9.6	8.9

Key cash flow highlights:

- Continuing strong cash flows – a feature of RFG's business model – supported by balanced investment and financing activities
- Record 101.3% conversion of operating cash flow into EBITDA reflects "real" cash earnings and improving working capital balances
- Excess free cash used to fund:
 - voluntary debt reduction of \$9.0m
 - initial acquisition and partial development of Company's new national office, training and research and development facility (\$3.0m)
 - increased dividend payout ratio to 55.2%
- Debt reduction lessens impact of interest and finance costs
- Capital raised (totaling \$0.8m) result from functioning Executive Share Option Plan incentives
- Cash reserve maintained in preparation for Esquires Coffee Houses settlement in February 2011 (\$8.3m)
- Simple cash flow structure closely aligned to Group's earning performance with future capital expenditure, other than commissioning of national office investment forecast to be limited

Appendix 4 - Financial Position



	1H11 \$'000	FY10 \$'000
Assets:		
Cash reserves	9.6	13.1
Trade receivables	11.8	13.1
Financial assets	3.0	2.6
Inventories	2.1	2.3
Plant & equipment	5.3	2.7
Intangibles	207.1	207.1
Other	2.3	2.6
	241.2	243.5
Liabilities:		
Trade payables	5.8	7.5
Provisions	2.2	2.1
Tax payable	3.6	5.0
Borrowings	77.3	85.9
Other (includes interest rate swaps)	3.1	3.7
	92.0	104.7
Equity:		
Share capital	97.5	95.2
Reserves	(1.1)	(2.5)
Retained earnings	52.8	46.1
	149.2	138.8

Key balance sheet highlights:

- Increase in net assets by \$10.4m reflects reducing working capital requirements and well managed debt and equity structures
- Significant cash holdings, notwithstanding 1H11 voluntary debt reduction (\$9.0m), land & building acquisition funding (\$3.0m) and increase in dividend payout ratio
- Trade debtors continue to decline reflecting improved collections as well as benefits of Michel's Patisserie model conversion and distribution restructure
- Further enhancement of balance sheet profile available as national distribution solution for Michel's bakery product is fully commissioned
- Intangibles of \$207.1m, including franchise networks, brand names and trademarks, supported by valuations indicating significant 'headroom' (+\$130m) using conservative forecasts
- Borrowings of \$77.3m re-classified as non-current liability reflecting 31 August 2013 maturity
- Hedge reserves continuing to unwind as interest rate swaps mature
- Accumulated net earnings of \$52.8m and associated franking credits also supports increasing dividend payout ratio

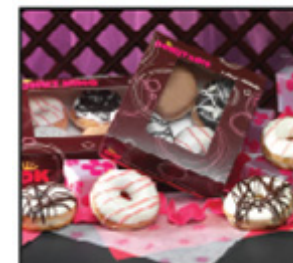
Appendix 5 – Franchise Systems



- Australia's largest specialty donut and coffee chain
 - Serves 30 million donuts to Australians every year
 - Operates within the 'impulse buy', 'reward' and 'treat' segments of the food retailing sector

1H11 Performance:

- Network Sales: \$83.9m
- Total Outlets ⁽¹⁾: 356
- AWS (Aust Only): \$9,853
- Fortified by acquisition of 23 DCM Coffee & Donuts outlets in January 2010, with view to progressive conversion to more successful Donut King system
- International expansion continuing:
 - China (10 outlets)
 - Papua New Guinea (master license granted)
 - Saudi Arabia (master license granted)
 - New Zealand (master license granted)



(1) Includes DCM Coffee & Donuts and China

Appendix 5 – Franchise Systems



- Café franchise with 37 outlets in Australia and 21 outlets in New Zealand
 - Operates within the 'time out', 'relaxation' and 'meeting place' segment of the food retailing and quality coffee sector
 - Successful launch of 'My Local Café' sub-branding designed to distinguish bb's café from its competitors

1H11 Performance:

- Network Sales: \$17.3m
- Total Outlets: 58
- AWS (Aust only): \$11,715
- Competition for sites amongst café and specialist coffee retailers remains strong
- Marketing campaigns focused on local area initiatives
- bb's café system and model fortified by recent acquisition of Esquires Coffee Houses with combined outlets exceeding 100



Appendix 5 – Franchise Systems



- Australia's second largest specialty bread and savoury retail franchise chain
 - Incorporates Big Dad's Pies, Brumby's Go and Brumby's Express outlet configurations
 - Operates within the "baked fresh" and "convenient" bakery segment
 - "You'll Get More at Brumby's" marketing campaign launched in FY10 and continued in 1H11

- Current focus on non-traditional site opportunities (e.g. supermarkets)

1H11 Performance:

- Network Sales: \$118.8m
 - Total Outlets ⁽¹⁾: 354
 - AWS (Aust only): \$13,731
- Master franchise regime operates solely in SA, after acquisition of master rights in WA, NT, FNQ and NZ in FY10
 - Metrics includes contribution from sub-concepts, Brumby's GO! and Big Dad's Pies
 - System successfully fortifying its position against supermarket discounting of bakery products without sacrificing margin



(1) Includes Brumby's GO! and Big Dad's Pies outlets

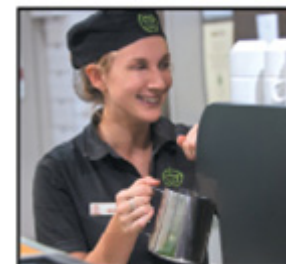
Appendix 5 – Franchise System sub-brands



- Brumby's GO! offers quality fresh sandwiches, snacks and savouries
 - Operates within the “pre-made”, “snack” and “convenience” segments
 - Concept developed to meet market for fresh, healthy and ready-made bakery products
 - 12 outlets commissioned, focus on regional locations
- Offers an alternative to the traditional Brumby's product offering
- Brumby's GO! outlets offered as rapid and attractive conversion opportunity to existing Big Dad's Pies franchisees
- Network sales incorporated into Brumby's Bakeries metrics



- South East Queensland-centric brand, acquired April 2010
 - Famous for pie offerings with traditional home made baked veneer
 - Existing outlet locations are non-shopping centre
- Network sales incorporated into Brumby's Bakeries metrics



Appendix 5 – Franchise Systems



Celebrate the good things

- Australia's largest specialty coffee and cake retailer
 - Rated the "Best Tasting Coffee Franchise" by Choice Magazine (July 2010)
 - Operates within the "treat", "take a break" and "special occasions" segment

1H11 Performance:

- Network Sales: \$106.7m
- Total Outlets: 334
- AWS (Aust Only): \$12,881
- Net outlet population reduction of 3 from 6 commissionings reflects finalisation of legacy store closures
- System conversion to traditional royalty model over 70% completed with positive franchisee feedback
- Further refinement of national wholesale bakery supply chain strategy:
 - Successful completion of QLD bakery distribution pilot program
 - Product quality and delivery improvements reported by Qld franchisees
 - Pilot commencing in SA, VIC and NSW in March 2011



Appendix 5 – Franchise Systems



great coffee helps™

- Founded in 1993 in Vancouver, Esquires Coffee Houses has grown internationally with outlets in New Zealand, Fiji, Ireland and North America.
 - First New Zealand store opened in 2002
 - Fastest growing coffee house franchise in New Zealand
- Acquisition by RFG completed 7 February 2011, comprising two components:
 - New Zealand master franchise business consisting of 46 outlets (MF Contract)
 - Intellectual Property for the territories of New Zealand and Australia (IP Contract)
- Strategic acquisition designed to support bb's café system operations in New Zealand and attain growth momentum in Australia via alignment of marketing, procurement and personnel
- Post acquisition population of combined bb's café/Esquires increases from 58 to 104
 - 6 programmed Esquires commissionings for 2H11
- Strong focus on providing gourmet and speciality coffee in vibrant outlets
- Menu offering includes sandwiches, snacks and savouries



RFG Investment Credentials



Leading retail food brand manager and franchisor

- RFG was established in 1989 and is a leading Australian retail food brand manager and franchising company with 1,148 franchised outlets in Australia, New Zealand and China (as at 17 February 2011)
- RFG is an intellectual property owner, licensing systems designer, developer and manager
- Five franchise systems: Donut King, bb's café, Brumby's Bakeries, Michel's Patisserie and Esquires Coffee Houses



Robust revenue profile

- Franchise Network System Sales of \$640.6m FY10
- Diversified revenue base with recurring revenues from franchisee royalties (payable on a weekly basis), licence fees from suppliers of product, and wholesale sales of product to franchisees
- Ongoing development of non-traditional revenue streams



High margin and scaleable business model

- Infrastructure to support growth in outlets and additional franchise brands /systems
- Donut King, bb's café, Michel's Patisserie and Esquires Coffee Houses outlets predominantly located in shopping centres
- Brumby's Bakeries outlets typically located in high street and convenience shopping centres



Strong cash flow generation and returns

- Strong cash flow business with limited capital expenditure
- Outlets are franchised – company outlet model not adopted
- Franchisees responsible for inventory and new outlet establishment cost
- Permits payment of strong dividend stream while enabling voluntary principal debt reduction



Committed and experienced board and management team

- Experienced and financially astute board
- Current senior management team has long term tenure with RFG and responsible for the development of RFG's strong internal systems and growth achieved to date

Potential for earnings upside with acquisitions

- Growing number of maturing retail food and café franchises in Australia and New Zealand
- Positioned to acquire and build upon other brands/systems given its existing multi-brand ownership structure, strong systems-focus and national presence
- Acquisitions increase scale and leverage RFG's existing back office systems, international franchise system proliferation outside New Zealand now being executed

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