

RETAILFOODGROUP

STRENGTH IN BRANDS



RESULTS PRESENTATION - FINANCIAL YEAR 2012

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
- bb's café and Esquires Coffee Houses
- Pizza Capers



- ✓ RFG is also the roaster of coffee products in excess of 1,020 tonnes annually, supplying both franchise systems and an expanding external customer base
- ✓ Business model developed to deliver strong and consistent free cash flows with low capital inventory
- ✓ Franchise Outlets: 1,251 franchise outlets operating throughout six countries ⁽¹⁾
- ✓ Market capitalisation: \$284m ⁽²⁾
- ✓ Enterprise value: \$395m ⁽²⁾
- ✓ FY12 Dividend Yield: 9.5% gross ⁽³⁾
- ✓ P/E Ratio: 9.9 ⁽⁴⁾



(1) As at 30 June 2012

(2) As at 14 August 2012

(3) Based on FY12 Interim & Final dividends, and closing share price of \$2.62 as at 14 August 2012

(4) Based on EPS of 26.4cps, and closing share price of \$2.62 as at 14 August 2012

FY12 Summary

	Statutory Results							Core Operations ⁽¹⁾		
	FY07	FY08	FY09	FY10	FY11	FY12	PCP %	FY11	FY12	PCP %
 Adjusted Revenue ⁽²⁾				\$66.6m	\$77.8m	\$100.6m	29.3%			
 Total Revenue ⁽²⁾	\$23.6m	\$114.1m	\$130.5m	\$118.6m	\$110.0m	\$101.9m	(7.4%)			
EBIT	\$12.2m	\$34.4m	\$40.3m	\$43.8m	\$45.1m	\$47.5m	5.3%	\$46.0m	\$50.1m	8.8%
NPAT	\$7.5m	\$17.6m	\$23.5m	\$26.0m	\$27.2m	\$28.5m	4.9%	\$27.9m	\$30.3m	8.9%
Basic EPS	10.5 cps	19.9 cps	23.7 cps	25.3 cps	25.4 cps	26.4 cps	3.9%	26.0 cps	28.0 cps	7.7%
Dividend	6.25 cps	8.5 cps	9.25 cps	11.75 cps	14.5 cps	17.5 cps	20.7%			
Dividend Payout Ratio	59.5%	42.7%	39.0%	46.4%	57.1%	66.3%				
Net Debt	\$25.1m	\$111m	\$90.1m	\$72.8m	\$70.5m	\$98m				
Gearing Ratio	40.5%	54.0%	45.7%	34.4%	31.0%	36.6%				
Interest Cover	8.9	3.6	5.2	6.2	6.9	6.9				
Cash Generating Units ⁽²⁾	2	4	4	4	4	6				
Franchised Outlets	360	1,052	1,063	1,122	1,148	1,251	9.0%			

(1) Refer to Appendix 1 for a reconciliation of results from 'Core Operations'

(2) Refer to Appendix 1 for definition

FY12 Headlines



✓ Financial Headlines:

- Core NPAT: \$30.3m (up 8.9% on pcg)
- NPAT CAGR: 30% (since listing in 2006)
- Core EPS: 28.0 cps (up 7.7% on pcg)
- EPS CAGR: 20% (since listing in 2006)
- Dividends: ⁽¹⁾ 17.5 cps (up 20.7% on pcg) increasing dividend payout ratio to 66.3%
- Net debt: \$98m with cash and facility headroom of \$37 million
- Gearing: Conservative gearing ratio of 36.6% and interest coverage of 6.9 times
- Cash flow: Net cash inflows from operating activities of \$24.3 million



- ### ✓ Growth in core earnings resultant from a business model withstanding current retail challenges, comprising:
- Positive EBIT contributions from FY12 acquisitions
 - Resilient earnings from existing franchise systems & coffee roasting, and
 - Notwithstanding franchisee outlet closures due to difficult retail trading conditions and excessive rental demands



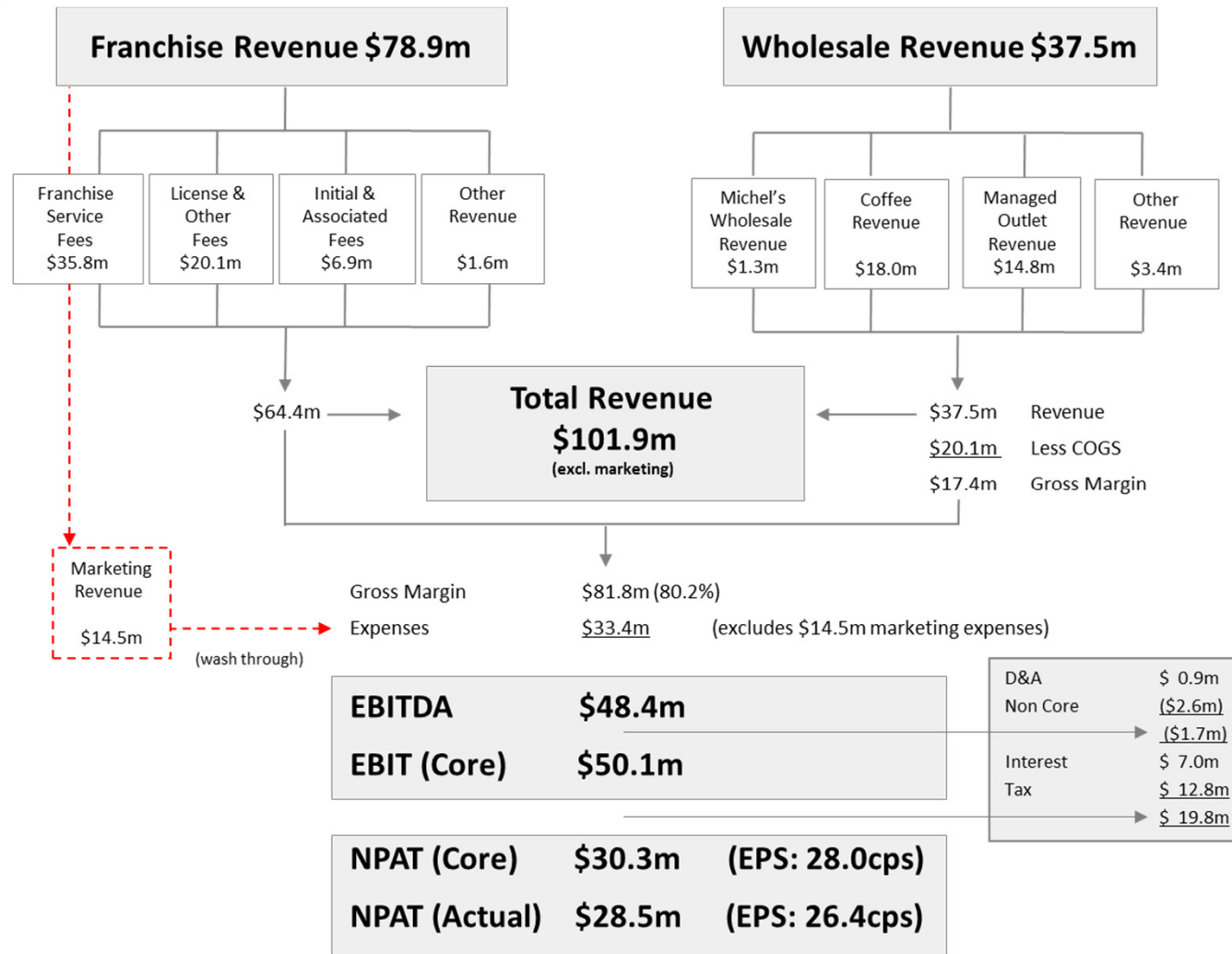
✓ Board renewal:

- Bruce Hancox – appointed Chairman
- Jess Buchanan – non-executive Director appointment with expertise in franchise marketing and strategic brand consulting
- Tony Williams – non-executive Director appointment with in excess of 40 years franchise and food retail experience



(1) Based on FY12 interim dividend of 8.5 cps and FY12 final dividend of 9.0 cps

FY12 Highlights (1 of 3)



Financial Highlights (2 of 3)



- ✓ Core EBIT ⁽¹⁾ of \$50.1 million represents 8.8% increase on pcg (\$46m) comprising:

- Positive EBIT contributions from FY12 acquisitions
- Resilient franchise systems & coffee roasting activities
- Notwithstanding:
 - Franchisee outlet closures and increase in corporate outlets due to retail environment
 - Increased franchisee financial and resource assistance
 - Significant expense due to forced interim operation of four Michel's bakeries



- ✓ Core NPAT ⁽¹⁾ of \$30.3 million represents 8.9% increase on pcg (\$27.9m) representing a cumulative NPAT annual growth rate of 30% since listing in 2006



- ✓ Statutory NPAT of \$28.5m (FY11: \$27.2m) represents 4.9% increase on pcg and includes non-core supply chain initiatives and corporate restructuring costs ⁽¹⁾



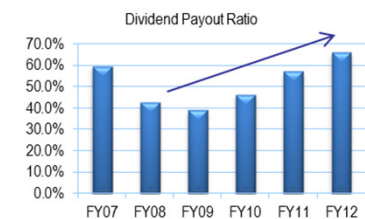
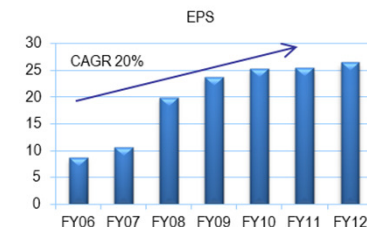
- ✓ Core ⁽¹⁾ EPS up 7.7% to 28.0 cps
 - Annual EPS growth rate 2006 – 2012 exceeds peers at 20%



- ✓ Fully franked FY12 dividends of 17.5 cps (up 20.7% on pcg)
 - FY12 final dividend of 9.0 cps (20% increase on pcg)
 - Represents 12th consecutive 6 monthly dividend increase
 - Dividend payout ratio now exceeds 66%



(1) Refer to Appendix 1 for a reconciliation of results from 'Core Operations'



Financial Highlights (3 of 3)



- ✓ Adjusted Revenue ⁽¹⁾ increase of 29.3% to \$100.6m, attributable to:
 - 20.2% increase in franchise revenues
 - 31% increase in coffee revenues including ECR acquisition
 - Increased revenue contribution from managed corporate outlets



- ✓ Franchise Revenue increased 20.2% to \$64.4m, attributable to:
 - Increase in distribution margin receipts
 - Increased franchisee renewals and resale's
 - License fee renewals
 - Doubling of training academy throughput
 - Acquisition of Pizza Capers in April 2012



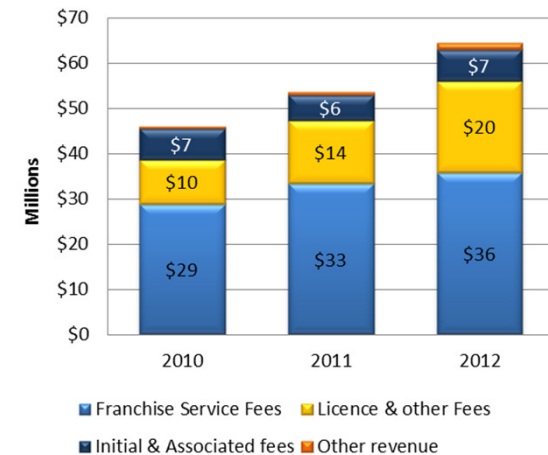
- ✓ Continued robust cash generation
 - Net cash inflows from operating activities of \$24.3 million realised in FY12, funding:
 - Increased dividend payout ratio of 66.3%
 - Voluntary debt reduction in July 2011 (\$10m)
 - ECR acquisition (\$3.2m)
 - CAPEX (\$1.0m)
 - Increased franchisee support & marketing initiatives (\$3.4m)
 - Bakery losses - supply chain initiatives (\$1.7m)



- ✓ Strong balance sheet maintained:
 - Significant cash reserves and debt facility headroom (\$37m) to support future acquisitions and brand reinvestment
 - Conservative gearing ratio of 36.6% (net debt/(net debt + equity))
 - Compliance with all lending covenants comfortably maintained



Franchise Revenue



Coffee Revenue



(1) Refer to Appendix 1 for definition

FY12 Operational Excellence



✓ Operational Highlights:

- Average weekly sales (AWS) and average transaction values (ATV) increases reported in each franchise system ⁽¹⁾
- Organic outlet openings of 39 consistent with guidance
- Continued strong organic growth by volume and revenues of coffee driven by marketing and franchisee training initiatives
- Practical completion of Michel's transition to a royalty-based model and commencement of final phase (bakery consolidation)
- Significantly increased training academy candidate throughput and internalised training of Brumby's Bakery franchisee's
- Successful renegotiation of major franchise supply agreements
- Commenced roll out of 'Project Evolution' brand reinvigoration
- Migration to a Brand System Structure implemented ensuring appropriate franchise system dedicated focus and franchising best practice
- Significant increase (\$4.1m) in additional franchisee support initiatives in recognition of current challenging retail trading environment funded from core operations



✓ Acquisitions completed during FY12:

- Evolution Coffee Roasters Group (acquired 1 September 2011)
- Pizza Capers Gourmet Kitchen franchise system (acquired 2 April 2012)



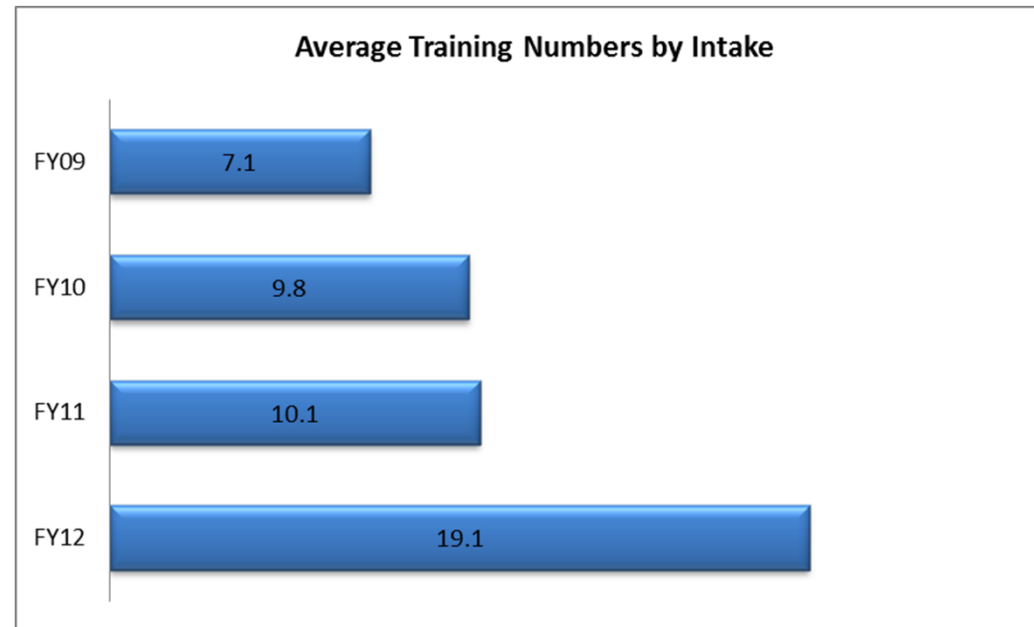
(1) Australia only – excluding Michel's Patisserie Queensland outlets – refer page 12 for details

FY12 Training Excellence



✓ Training Highlights:

- 1st full 12 months operation of Southport based World class training academy
- Continues be the corner-stone of RFG's multi-system strategy
- Drives superior franchisee outcomes
- Record franchisee intake of 210 also delivering increased training revenues
- Record 1,539 newly qualified Coffee Makers / Barista certified through RFG's unique Barista Training Platform
- Record 50,000 franchisee staff hours of training completed via RFG's state-of-the-art Online Training Portal



FY12 Marketing & Innovation Excellence



- ✓ Brumby's
 - Market leaders in bread innovation with the launch of "Pure Bake" and subsequent launch of Organics range. Delivering 4.5% in bread sales growth on pcp
 - Successfully trialled freshly made sandwiches and rolls to launch nationally 1H13



- ✓ Donut King
 - Royal Bean coffee growth 9% over pcp driven by successful Barista campaign
 - Increased trained Baristas to 256 (44% increase on pcp,)
 - Sampled 85,000 Royal Bean cups
 - Doubled face-book fans by 60,000
 - Expanded menu to include toasties and other "hot box" items



- ✓ Michel's
 - Online ordering sales growth 273% over pcp due to menu extension and significant promotion
 - Customised cake sales growth 42% over pcp due to targeted digital social and electronic strategies
 - Wins "Coffee Shop of the Year" for 2011 (Roy Morgan.)



- ✓ Pizza Capers
 - 2012 Canstar award for "Most Satisfied Customers", 2nd year in a row.
 - Re-launches online ordering website with mobile set to launch 1H13.



- ✓ RFG Corporate
 - Launches Barista Championship including 210 participants



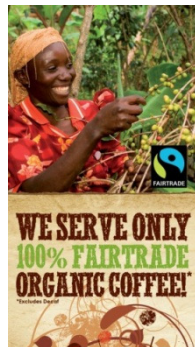
Esquires Revamp!







- ✓ Esquires undergoes largest brand transformation in its history
- ✓ Conversion of bb's outlets to Esquires set to be completed by FY15
- ✓ Re-formulated brand built on leading trends, coffee excellence, technology and sustainability to have profound effect on market position relevance, outlet and AWS growth with;
 - New store design
 - Boutique café menu
 - Excellence in coffee through superior qualified baristas and beans
 - Cutting edge technology including Wi-Fi, iPads in-store, mobile aps etc..
 - Sustainability and Fairtrade Coffee
 - Extended formats to include drive-thru and hole in the wall concepts

The Results:

- 2 new outlets commissioned in 2H12 in Australia
- 4 bb's conversions (AUS and NZ)
- Circa 5% AWS increase since re-brand



FY12 Franchise System Metrics – KPIs (1 of 2)

	System growth v prior period (Australian stores only)	Average Weekly Sales (AWS) Growth		Average Transaction Value (ATV) Growth	
		FY12	FY11	FY12	FY11
 Donut King		1.7%	1.2%	3.8%	2.4%
 bb's café/Esquires		0.3%	1.5%	3.4%	2.1%
 Brumby's Bakeries		0.2%	0.3%	3.2%	2.7%
 Michel's Patisserie		(1.2%); excl QLD 1.02%	2.0%	2.1%	2.7%

- ✓ Subdued (but positive) growth in AWS
- ✓ Quantum of AWS growth reflective of:
 - Lower and or stagnant shopping centre foot traffic flows
 - Organic growth predominantly in lower AWS sites
 - ATV growth outperforming customer count growth and thus supporting AWS.
- ✓ AWS increase in all Australian systems (ex MP QLD)
 - Donut King continued drive on coffee promotions and traction from Project Evolution drove AWS uplift in 4Q12
 - bb's café/Esquires growth will increase as the Esquires brand proliferates in Australia
 - Brumby's minimal AWS increase on pcp a result of Queensland outlets not performing to pre natural disaster revenue levels and competition from major retailers '\$1 a loaf' campaigns
 - Michel's AWS lower due to Qld bakery supply chain issue. Excluding QLD, AWS up 1.02%
- ✓ Continued revenue base expansion results in less reliance on and sensitivity to AWS metrics in terms of RFG performance

FY12 Franchise System Metrics – KPIs (2 of 2)



- ✓ NZ systems have experienced AWS declines in FY12 reflecting:
 - Tougher retail trading conditions than those being experienced in Australia
 - Ongoing business interruption to outlets located the greater Christchurch area
 - Cycling very strong PCP performance (Rugby World Cup)



- ✓ Franchisee health and micro management of occupancy and supplier costs remain RFG key focus



FY12 Franchise System Metrics - Outlets



System	Australia	NZ	China	PNG	Saudi Arabia	Singapore	Indonesia	Total
Donut King	345	2	15	1	1	-	-	364
Brumby's Bakeries	320	15	-	1	-	-	-	336
Michel's Patisserie	329	2	-	-	-	-	1	332
bb's café / Esquires	37	64	-	-	-	-	-	101
Pizza Capers	117	-	-	-	-	1	-	118
Total	1148	83	15	2	1	1	1	1251

- ✓ FY12 net outlet growth of 103 includes:
 - Organic commissioning of 39 consistent with guidance & pcg (FY11: 40)
 - Acquisition of Pizza Capers outlets (110)
 - Successful outlet commissioning's in international markets of NZ, China and Indonesia
 - FY12 outlet closures of 46 decreased from 52 in FY11
- ✓ Outlet closures reflective of
 - RFG continued resolve to not renew leases in poor performing shopping centres or where rental demands are inconsistent with shopping centre performance
 - Natural attrition of poorly performing outlets due to difficult retail trading conditions
 - 2H12 closures decrease of 18 on 1H12 (32 in 1H12 v 14 in 2H12)
- ✓ Evidencing the underlying health of the systems, an additional 256 existing outlets renewed franchise agreements or were on-sold by franchisee's

FY 12 Acquisitions - Evolution Coffee Roasters Group (ECR)



- ✓ ECR is a New Zealand based coffee roaster, merchandiser and beverage manufacturer
- ✓ Settlement affected on 1 September 2011
- ✓ Acquisition investment circa NZD4.0m representing an EV/EBITDA multiple of 4 (on full integration)



- ✓ ECR at acquisition date consisted of:
 - Evolution Coffee Roasters: premium quality coffee roasting facility with throughput of 170 tonnes annually
 - Roasted Addiqtion Coffee Dealers: merchandiser of a range of proprietary premium coffee blends and syrups to cafes, restaurants and supermarkets, and
 - Evil Child Beverage Co: manufacturer of premium drinking chocolate powders and frappe blends for cafes, restaurants and supermarkets



- ✓ Seamless integration of ECR completed during FY12, resulting in:



- 150 key accounts retained, 20 new customers added
- Green bean purchases up 12.8%, now exceeding 260 tonne per annum
- Vertical integration enhanced via supply of bb's café blend to NZ bb's café outlets (formerly sourced via RFG's Sydney facility)
- All key staff retained
- RFG NZ HQ relocated to ECR premises in Auckland achieving further synergies



evolution
COFFEE ROASTERS

Roasted Addiqtion
COFFEE DEALERS



FY12 Acquisitions – Pizza Capers (PC)



- ✓ Acquisition completed 2 April 2012:
 - Consideration (\$30m) based on pricing multiple of 7 times anticipated FY13 EBIT
 - EPS accretive upon completion



- ✓ Forecast CY organic new outlet openings on track (9 of 20 achieved)
- ✓ Outlet population: increased to 118 as at 30 June 2012



- ✓ Integration program on track:
 - Administrative function transfer completed
 - RFG and IT platforms delivered
 - All back office functions transferred



- Relocation to RFG HO proceeding
- Introduction of Brand System Structure to facilitate acquisition and beyond



- ✓ Management team remain committed, focused and in-situ
- ✓ Strategic marketing plans completed for implementation
- ✓ Positions RFG for the first time in QSR segment
- ✓ Online ordering platform refreshed and operational

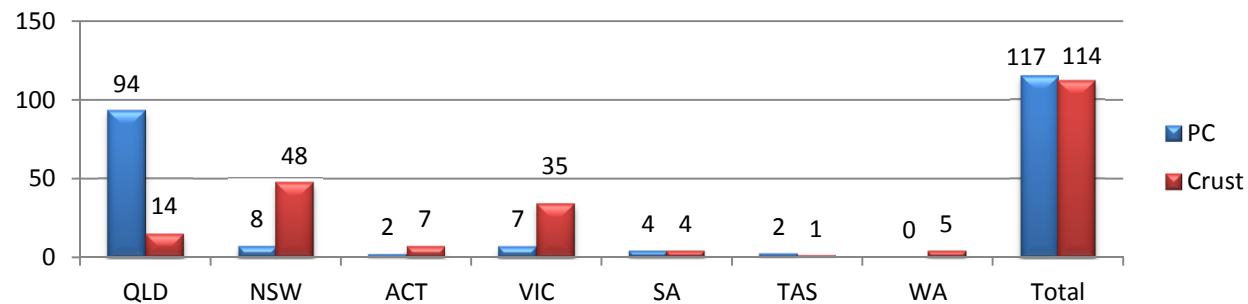


FY13 Acquisitions – Crust Gourmet Pizza Bars (Crust) (1 of 3)



✓ Background:

- Joint market leader (with Pizza Capers) in the gourmet QSR pizza market
- In gourmet segment:
 - Crust dominates Sydney and Melbourne markets
 - Pizza Capers Brisbane



- 119 outlets: Australia (114), Singapore (2), New Zealand (2) and the USA (1)
- All outlets franchised
- Sale and Purchase Agreement (SPA) entered 23 August 2012, completion anticipated before end September 2012
- Completion of SPA subject to usual terms and conditions including due diligence investigation satisfaction by RFG



FY13 Acquisitions – Crust (2 of 3)



✓ Metrics:

- Price equivalent to 7 x Crust adjusted FY13 EBIT
- Payable in two installments
 - At completion of SPA:
 - Cash \$21 million; and
 - RFG ordinary shares to the value of \$3 million
 - Approximately 12 months after:
 - 7 x Crust adjusted FY13 EBIT less \$24 million 1st installment
 - (At RFG option) payable in cash or cash and scrip (scrip to maximum of 53.6%)

- To be funded from RFG cash reserves and debt facilities
- Intended that majority vendor shareholders will become shareholders in RFG
- Management Team committed to remain in-situ

✓ Assuming end September completion for Crust, combined contribution (with PC) to RFG FY13 EBIT circa. \$7.5m

✓ Acquisition Rationale

- Enhances potential for both PC and Crust:
 - Opportunity for the exploitation of supply side economies
 - Facilitates collaborative marketing, research and development activities across both PC and Crust
 - Cross pollination of products and services
 - Growing expertise in the gourmet take away pizza market that will benefit stakeholders in each system
 - Allows for management to control cannibalisation through co-ordinated development strategy



FY13 Acquisitions – Crust (3 of 3)



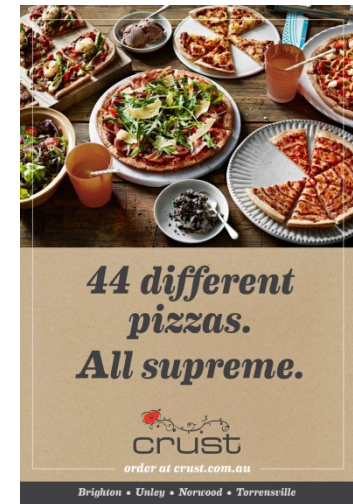
✓ Acquisition Rationale (cont.)

- Further reduces RFG reliance on shopping centres for growth with circa 460 RFG Australian outlets (or 35%) located in external tenancies
- Increases RFG exposure to QSR
- Offers immediate segment scale and eastern seaboard footprint



✓ RFG Objectives:

- Continue to develop and proliferate Crust and PC independently of each other
- Co-ordinate and appropriately manage site selection and proliferation to maximise growth but minimise outlet cannabalisation
- Capitalise on the combined resource base of both Crust and PC thus enhancing franchisee and RFG outcomes
- Maintain and enhance segment leadership in gourmet QSR pizza retailing
- Extend international footprint already established in the Crust system using RFG proven capability and infra-structure
- Further resource, engineer and deliver market competitive and enhanced digital on-line customer engagement and ordering platforms
- Cross-pollinate proven system features without impacting USP's (e.g. delivery systems)
- Deliver RFG training expertise to both systems



Debt Structure & Covenants (Pre & Post Crust Acquisition)



- ✓ RFG increased facility quantum and extended maturity date of the Company's debt facilities with the National Australia Bank in April 2012



- ✓ Increased facility sourced to support future acquisition activities including Pizza Capers and Crust



- ✓ The revised facility terms include:

- Increase in Senior Debt Revolving Facility from \$95m to \$135m
- Margin over BBSY: 1.8% - 2.35%:
 - Present swap contract matures December 2012
 - Post maturity effective interest rate ~ 6.3%
- Extension of present maturity date from September 2013 to September 2014
- Enhanced flexibility:
 - Voluntary debt retirement and redraw
 - Allocation of debt between fixed and floating interest rates at the discretion of management
 - Increased leverage covenant ceiling to 2.50x (from 2.0x), and
 - Remaining covenants (Interest Cover and Gearing) unchanged



- ✓ Facility headroom (including cash) at 30 June 2012 of \$37m. Theoretical facility headroom at settlement date of the Crust acquisition will be \$20m
- ✓ Compliance with all lending covenants as at 30 June 2012 and subsequent to the Crust acquisition comfortably maintained

'NAB' Facility	FY12	Settlement Crust Acquisition
Net debt	\$98.0m	\$115.0m
Interest expense	\$7.0m	\$9.0m
Interest cover (times)	6.9	6.2
Leverage ratio	2.12	2.18
Gearing ratio (net debt / (net debt + equity))	36.6%	37.4%
Total Facility	\$135.0m	\$135.0m

Long-term multi-layered growth strategy



Organic

- Significant brand re-invigoration to accelerate AWS growth
- Accelerated site outlet penetration and models into non-traditional sites
- Further expansion of coffee into retail and wholesale channels
- Stronger focus on international expansion of existing Brand Systems

Acquisitions

- Continued acquisition of businesses that:
 - Compliment RFG's existing portfolio
 - Are immediately Earnings Per Share (EPS) accretive
 - Generate supply side economies
 - Extend vertical and horizontal opportunity

Efficiencies

- Supply chain efficiencies, providing volume of scale, benefits to franchisee community
- Consolidation of further licensee revenues
- Maximization of marketing scale: buying rates, research, cross brand opportunities etc.
- Efficiency improvements and further investment in franchisee resourcing

FY13 Initiatives (1 of 2)



- ✓ Evolution of all brands
 - Dedicated Marketing and Innovations Department commissioned to achieve:
 - 'stores of the future' to increase brand relevance and modernity
 - Significant AWS growth
 - Franchisee profitability increase
 - Sustainability both inside and outside of traditional shopping centres



- ✓ Site Proliferation
 - Increased outlet proliferation outside of shopping centres and into different formats
 - Strong site pipeline: circa 150 available for new outlets



- ✓ Digital Innovation
 - Pioneering RFG's brands technologically into the future
 - Stronger focus on driving e-commerce channels
 - Developing cutting-edge digital solutions to stimulate brand engagement



- ✓ Retail Focus
 - New retail innovations team charged with delivering advanced retail training and measures to enhance customer experience and retail sales
 - Stronger franchisee motivation for performance



- ✓ Coffee
 - Further penetration of ECR and acquired beverage brands into RFG brand systems and externally
 - Continued strategy to increase qualified Baristas



- ✓ Training
 - Instigate RFG RTO certification to generate further revenue through RFG's World class training academy
- ✓ Wholesale & Manufacturing
 - Commissioning of a stronger Michel's Patisserie bakery model
 - Consolidation and fortification of the newly acquired Crust brand



A Sneak Peak into “Project Evolution” (2 of 2)



✓ Donut King

- Fresh & Exciting New Look
- Fun & Interactive experience centered around DK’s brand positioning “Excite Your Tastebuds”
- Extensive menu extension including into the savoury category
- Expansion into “greenfield sites” and non-traditional formats; e.g. drive-thru and strip



✓ Michel’s Patisserie

- More up-market brand livery and outlet dynamics to heighten the café experience
- Significant re-vamp in cake offering
- Extension into more patisserie style food to cater for all day consumers
- Expansion into models that make the experience more accessible



✓ Brumby’s

- Brand strategic development continues
- Active proliferation of the Brumby’s Go model



✓ PC and GCP Segmentation

- Clear differentiation strategy to enhance independent brand performance
- Further acceleration to enhance ecommerce and digital platforms



LOVE



DONUT



KING



FY13 Outlook



- Prevailing economic conditions, acceleration of structural change in retail and the unrealistic rental demands of major landlords culminate in a challenging and unpredictable FY13



- Continued financial and resource assistance to those franchisees most impacted by the current retail environment
- Continued short term investment in non-core supply chain initiatives in respect of the Michel's bakery model transition



- Project Evo results to date are positive and promising, and will be instigated in all Brand Systems during FY13



- Whilst the Board remains of the firm view that the Company has constructed a concrete platform for sustained growth and long term shareholder satisfaction, current trading conditions, consumer sentiment and supply side initiatives renders it both premature and problematic to provide FY13 guidance notwithstanding RFG's confident outlook and anticipation of future growth



Appendices



Appendix 1 – Core Earnings Reconciliation



Appendix 2 – Earnings Performance



Appendix 3 – Cash flow Performance



Appendix 4 – Financial Position



Appendix 1 – Core Earnings Reconciliation



Reconciliation of Statutory result to 'Core Earnings'

	FY12 \$'m	FY11 \$'m
Statutory EBIT	47.5	45.1
Supply chain initiatives (operation of Michel's bakery suppliers in NSW, VIC and QLD)	1.7	-
Corporate restructuring & redundancy costs	0.7	-
Loss on cash flow hedges (interest rate swaps)	0.2	1.0
Gain on foreign exchange forward contract	-	(0.1)
EBIT from 'Core Operations'	50.1	46.0
Statutory NPAT	28.5	27.2
Post-tax impact of non-core EBIT adjustments	1.8	0.7
NPAT from 'Core Operations'	30.3	27.9

'Core' EBIT & 'Core' NPAT are non-IFRS profit measures used by management and the directors to assess the underlying performance of the Group



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 (FY12: \$1.3m; FY11: \$32.2m) and
- marketing revenue (see 'Total Revenue' note below)

Total Revenue – excludes revenue derived from marketing activities (FY12: \$14.5m; FY11: \$15.7m; FY10: \$15.4m; FY09: \$12.6m; FY08: \$10.3m)

- Cash Generating Units (CGU) – in the 1H12 Interim Financial Report RFG identified 5 CGU for the purposes of impairment testing, being 4 CGU attributable to franchise systems (Donut King, Michel's, bb's/Esquires & Brumby's) and Evolution Coffee Roasters forming the 5th CGU. The PC franchise system acquired in FY12 will form the Groups' 6th CGU

Appendix 2 - Earnings Performance

	FY12 \$'m	FY11 \$'m
 Revenue from franchising operations	78.9	69.3
Revenue from wholesale / retail operations	37.5	56.4
 Cost of sales	116.4	125.7
Gross margin	(20.1)	(36.5)
Gross margin %	96.3	89.2
Operating & Overhead expenses	82.7%	71.0%
Marketing expenses	(33.3)	(27.5)
Other gains and losses	(14.5)	(15.7)
EBITDA	(0.1)	(0.1)
Depreciation	48.4	45.9
EBIT	(0.9)	(0.8)
Interest expense	47.5	45.1
EBT	(7.0)	(6.7)
Income tax expense	40.5	38.4
NPAT	(12.0)	(11.2)
Earnings per share	28.5	27.2
Dividends per share	26.4 cps	25.4 cps
	17.5 cps	14.5 cps

- Franchise, licensing & other fees up 20.2% to \$64.4m, reflecting organic growth, acquisitions, and distribution margin increase attributable to Michel's transition
- Programmed reduction in wholesale bakery revenue of \$30.7m (FY12: \$1.3m v FY11: \$32.2m) reflects transition of Michel's Patisserie franchisees to traditional royalty model
- Wholesale coffee revenues up 31% to \$18m, reflecting organic growth and acquisition of ECR. RFG absorbed \$870K of green bean price increase as a franchise support initiative, resulting in gross margin reduction on franchise coffee sales of circa 4%
- Expense increase attributable to business acquisitions, increase of corporate outlets, non-core supply chain initiatives (bakery management) and increased franchisee support initiatives during FY12
- Direct franchisee assistance increased by \$1.8m on pcpc, whilst an additional \$1.7m was incurred on non-core supply chain initiatives and \$0.7m in corporate restructuring costs realised compared to the pcpc.
- Record Statutory NPAT of \$28.5m achieved, representing a 4.9% increase on pcpc, and includes non-core supply chain initiatives and corporate restructuring costs incurred during the year
- Strong earnings performance and operating cash flows supports increasing dividend payout ratio

Appendix 3 - Cash Flow Performance



	FY12 \$'m	FY11 \$'m
Receipts from customers	120.6	136.8
Payments to suppliers and employees	(77.4)	(92.0)
Gross operating cash flows	43.2	44.8
EBITDA	48.4	45.9
Ratio of gross operating cash flows to EBITDA	89.3%	97.6%
Interest and other costs of finance paid	(7.2)	(6.6)
Income tax paid	(11.7)	(11.4)
Net operating cash inflows	24.3	26.8
Dividends paid	(17.3)	(11.9)
Debt reduction	(10.0)	(9.0)
Acquisitions of business and intangibles	(33.2)	(8.4)
Acquisition of property & equipment	(1.0)	(5.8)
Net capital raising	0.7	0.8
Proceeds from borrowings	35.4	8.6
Other cash activities	(1.3)	1.0
Net (decrease) / increase in cash reserves	(2.4)	2.1
Cash reserves at year end	12.8	15.2

- Continuing strong cash flows – a feature of RFG's business model – supported by balanced investment and financing activities
- 89.3% conversion of operating cash flow into EBITDA reflects "real" cash earnings
- Operating cash flows used to fund increased franchisee support initiatives, non-core supply chain initiatives and Marketing & Innovation programs during FY12 totaling \$4.3m
- Excess free cash from operations used to fund
 - Voluntary debt reduction July 2011 (\$10m)
 - Acquisition of Evolution Coffee Roasters Group (\$3.2m)
 - Investment in plant & equipment including corporate "Cloud" IT platform upgrade (\$1.0m)
 - Increased dividend payout ratio to 66.3%

Appendix 4 - Financial Position



	FY12 \$'m	FY11 \$'m
Assets:		
Cash reserves	12.8	15.1
Trade receivables	16.5	12.1
Financial assets	4.7	3.1
Inventories	3.7	2.4
Plant & equipment	8.3	7.9
Intangibles	248.5	215.7
Other	1.7	1.5
	296.2	257.8
Liabilities:		
Trade payables	6.4	6.2
Provisions	1.9	2.0
Tax payable	4.9	4.6
Borrowings	110.8	85.7
Other (includes interest rate swaps)	2.5	2.4
	126.5	100.9
Equity:		
Share capital	99.9	98.8
Reserves	(0.3)	(0.8)
Retained earnings	70.1	58.9
	169.7	156.9

- Significant cash holdings, notwithstanding FY12 voluntary debt reduction (\$10m), cash funded Evolution Coffee Roasters Group acquisition (\$3.2m) and increase in dividend payout to \$17.3m
- Increase in trade receivables consistent with revenue increases and timing of significant receivables settled in 1Q13
- Increase in intangible assets including franchise networks, brand names and trademarks, reflects FY12 acquisitions of Pizza Capers and Evolution Coffee Roasters. Intangible assets supported by valuations indicating significant 'headroom' (+\$155m) using conservative forecasts
- Borrowings of \$110.8m classified as non-current liability reflecting September 2014 maturity. Gearing ratio of 36.6% is conservative and compliance with all lending covenants comfortably maintained
- Hedge reserves continue to unwind as interest rate swaps mature, with remaining interest rate swaps terminating in 1H13

RFG Investment Credentials



Leading retail food brand manager and franchisor

- RFG was established in 1989 (listed in June 2006) and is a leading Australian retail food brand manager and franchising company with 1,251 franchised outlets in Australia, New Zealand, China, Papua New Guinea, Indonesia and Saudi Arabia (as at 30 June 2012)
- RFG is an intellectual property owner, licensing systems designer, developer and manager
- RFG is a premium coffee roaster and distributor
- Six franchise systems: Donut King, bb's café, Brumby's Bakeries, Michel's Patisserie, Esquires Coffee Houses and Pizza Capers Gourmet Kitchen



Robust revenue profile

- 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 and Pizza Capers Gourmet Kitchen 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 predominantly 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 now enhanced with marketing, retail and Brand expertise
- 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 being executed

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