Retail Food Group Limited
AGM 2013

Chairman's Address
29 November 2013

[Slide 1]

[Slide 2]

Chairman's Welcome:

Innovation and evolution.

These words are not just the title given to Retail Food Group's 2013 Annual Report; they also represent appropriate descriptors for a defining period in the Company's history.

Over the past 18 months Retail Food Group and its Brand Systems have genuinely evolved.

Innovation in RFG's Brand Systems, and significant structural organisational enhancement to facilitate present and future opportunity, have been core pillars adopted by your Company to drive growth and stakeholder outcomes.

[Slide 3]

Evolution of Scale:

A basic but salutary example of the enormity of the evolution in RFG's scale is the Company's ranking in the Deloitte Queensland Index, which represents a monthly review of Queensland stocks and indices compiled since September 2002.

RFG was admitted to the Official List of the ASX on the 20th of June 2006. Quotation of its shares commenced in the following days.

At the end of that month, RFG was ranked 80th amongst the then 165 top Queensland companies. Market capitalization was $61m and the then current share price was 85c, a slight recovery on a post quotation low of 76c.

By contrast, the most recent Queensland Index published by Deloitte, the 31 October 2013 Edition, ranks RFG 24th amongst 177 Queensland companies. Market capitalization had grown by over $560m (to c.$622m) and the Company's closing share price had risen to $4.36.

Whilst RFG's admission to the S&P/ASX300 Index in March 2013 has been a driver for its ascension up the Deloitte Index rankings, the Company's steadfast commitment to growth via strength in brands, supported by a loyal and growing shareholder complement, has been the cornerstone of its success to date.

[Slide 4]

Evolution of Register:

In terms of that shareholder complement, as at 31 August 2006 the Company had 826 members. This has since grown more than five-fold, to over 4,700 current shareholders.

In October 2013, RFG successfully completed a placement of circa 12.3m shares to raise $53m before costs, its second capital raising of this scale during the past 18 months.

The placement was significantly over-subscribed and well supported by existing institutional investors, as well as new shareholders.

Eligible retail and other shareholders will also have the opportunity to participate in the Company's capital raising via this month's Share Purchase Plan, offer documentation in respect of which was recently issued.

Furthermore, and as I have noted, RFG was admitted to the S&PASX300 in March 2013. More recently, effective from close of trade on the 26th of November 2013, the Company was one of 11 Australian entities included in the MSCI Global Small Cap Index following semi-annual review. The MSCI Small Cap Index has over 4,000 constituent small cap companies across 24 developed markets and is used as a benchmark by global small caps managers.

RFG's inclusion in these indexes has enhanced the audience for RFG's 'story', and operates to broaden the register and aid liquidity. This is evidenced by this week's trading volumes which have assisted share price performance.

[Slide 5]
Why A Placement?

Whilst the CEO will shortly provide further insight into the uses to which new capital will be applied, given the placement has been the subject of some media commentary and shareholder enquiry, it is appropriate that I touch upon the Company's rationale for embarking upon a capital raising in this fashion.

Whilst there is some validity in, for example, the suggestion that a pro rata renounceable rights issue versus a placement would result in a more equitable outcome for retail shareholders, Retail Food Group holds the view that this is an overly simplistic assessment which fails to take into consideration the entirety of those factors relevant to the decision making process, and ultimately, long term shareholder value.

A placement is a highly effective form of capital raising that provides a number of benefits for the Company, and by extension, its shareholders. A placement avoids many of the legal, printing and registry fees associated with other forms of capital raising. It may be undertaken promptly, and generally will have less influence on share price performance, whilst also broadening the register.

This last point is of particular relevance. Given RFG's development has been, and remains, rooted in part to acquisitive growth for which new capital is and will be an ongoing requirement, enhancing institutional presence on the register is a key attraction and driver for conducting a placement.

In summary, your Board subscribes to the view that the Company's share price performance would have been inferior to that achieved in circumstances where, for example, a pro rata renounceable rights issue was utilised in the October 2012 and recent capital raising – as opposed to the Placement and SPP.

Furthermore, your Board also subscribes to the respectful opinion that the Company's generation of an FY13 Total Shareholder Return of 59.7%, supports this view.

[Slide 6]
Evolution of Growth Drivers:

During FY13 RFG expanded its operations to include new channels for delivery of its coffee products to customers via mobile vending, following acquisition of The Coffee Guy.

This transaction represents one of a number of initiatives undertaken by the Company to enhance its coffee operations, which now roast over 1.35m kilograms of beans annually.

RFG also cemented its position as market leader in the gourmet pizza segment of the QSR industry by attending the acquisition of the Crust Gourmet Pizza Brand System.

Whilst RFG ventured into the gourmet pizza industry after having identified considerable scope for consolidation and growth, it was not until after completion of the Crust transaction that the Company was pleasingly awakened to the veracity of the pre-acquisition research so far as the enormity that this QSR opportunity presented. Our CEO will speak to that opportunity in further depth shortly.

In the meantime, the Company's traditional Brand Systems continue to benefit from Project EVO initiatives and innovations which have ensured continuing brand relevance and modernity within an increasingly competitive retail landscape.

[Slide 7]
Evolution of the Way RFG Does Business:

The developments I've just referenced have been supported by further extension of the organizational enhancement program commenced in early 2012.

The commissioning of an independent structural, operational and management hierarchy for each of the Company's Brand Systems has proven highly successful.

Not only has this structure driven increased ownership and accountability throughout the organisation, it has provided the infrastructure necessary for RFG to confidently pursue further acquisitive and organic growth opportunities. Indeed without commissioning of the Brand System "silo" structure further acquisitions would not have been possible.

Nowhere was this more apparent than following acquisition of Crust, where that Brand System was integrated amongst RFG's existing structure with considerably more rapidity – and immediate benefits enjoyed by RFG and Crust franchisees - than would have been the case under the pre-existing organizational structure.

The Company's Brand System structure was further strengthened in February 2013 by key senior management appointments, and the introduction of an Executive Management Team, or EMT, with over-arching responsibility for advancement of corporate strategic initiatives, and some 70 years' experience with RFG or its Brand Systems.

Together with the introduction of additional organizational bodies structured to add further value by cross pollination of knowledge amongst Brand Systems, RFG now boasts a passionate and experienced human resource complement partnered with an organizational structure that is focused on driving growth, configured for swift attendance to changing market demands, and is otherwise accountable for outcomes.

[Slide 8]
Evolution of the Board:

2013 has also witnessed further regeneration of the RFG Board of Directors.

Earlier in the year the then Chairman, Bruce Hancox, retired from office following five years' service with the Company. Bruce's retirement was subsequently followed by the resignation of Tony Williams.

I'd like to take this opportunity to thank each of them, and particularly Bruce, for their contributions to RFG during their tenure.

I would also like to take this opportunity to formally welcome and introduce Stephen Lonie, who was appointed a non-executive director in June 2013.

Stephen is a Chartered Accountant by profession and enjoyed an extensive career with professional services firm KPMG, where he was Managing Partner of the firm's Queensland operations and a member of KPMG Australia's National Board from 1995 to 2001.

Stephen is currently a director of listed corporations MyState Limited, an approved deposit taking institution, and Corporate Travel Management Ltd, a specialist corporate travel services provider. He is also the Chairman of Jellinbah Resources Pty Ltd, a major privately owned Queensland metallurgical coal producer, and holds directorships with additional unlisted public and private corporations and not for profit enterprises.

Stephen brings to the RFG Board an extensive range of professional, business and corporate governance experience, and his appointment ensures that RFG remains appropriately structured and resourced to support ongoing strategic oversight requirements, particularly whilst RFG continues to exhibit strong growth opportunity.

That said, and as I've mentioned, whilst RFG remains a growing company with increasingly complex operations, the demands placed on the Board of Directors and its Committees also grow more complex and extensive, necessitating an enhanced commitment and investment of time by Directors.

In those circumstances, the Company does not dismiss the potential for future recruitment of additional non-executive Directors with appropriate skillsets and experience essential for effectively charting the future direction of RFG and its Brand Systems.

[Slide 9]
Evolution of Outcomes:

Given the significant change occurring within RFG over the course of the past 18 months, together with a constrained retail marketplace in which the Company's Brand Systems operate, RFG's FY13 results are truly impressive.

Core Net Profit After Tax, or core NPAT, grew 13.3% to $34.3m.

Statutory NPAT rose 12.1% to $32m.

This facilitated the payment of a record FY13 final dividend 10.25 cent per share fully franked, a circa threefold increase on the inaugural dividend paid to shareholders in April 2007, of 3.125 cents per share.

Importantly, the Company has increased its dividend payout ratio to circa 76% of statutory NPAT, up from 66% in respect of FY12.

Of particular note, the increasing dividend and share price has resulted in a cumulative average growth rate (since Listing) of 32.8%, lending credence to the proposition that RFG represents an attractive investment prospect well able to deliver sustainable and valuable outcomes for its shareholder community.

Perhaps to best illustrate this point, an investment of $1 in RFG shares on the Company's IPO in June 2006 would have returned a grossed up fully franked dividend of $1.25, together with capital growth of circa $3.49[1], or a total return on initial investment of circa 474%.

[Slide 10]

Evolution in How RFG Remunerates:

During last year's AGM, RFG's then Chairman indicated that the Board was focused on delivering an appropriate remuneration structure that contemplated short and long term incentives which were aligned to corporate performance and the creation of positive shareholder outcomes.

He noted that 'getting it right' was important.

Indeed, best practice in attracting and retaining senior management talent, and the disclosure requirements incumbent on public companies, necessitates that RFG devise a remuneration strategy and framework that will attract and incentivize staff, drive performance and align with the interests of shareholders.

Following the 2012 AGM, your Board commissioned a report whose over-riding objective was to procure recommendations on remuneration levels and incentive structures for executive and senior management roles, in order that RFG's remuneration strategy and framework was aligned with best practice amongst its peers.

I am pleased to confirm that this report has recently been finalized and its recommendations adopted by the Board. Importantly, these recommendations:

- align total fixed remuneration amongst key executive and senior management personnel to the market;
- provide for the introduction of short term incentives (STI) subject to achievement of performance gateways aligned to annual performance;

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[1] Based on RFG's closing price on 26 November 2013

- provide for the establishment of a Long Term Incentive Plan which will introduce long term incentives (LTI), in the form of performance rights, subject to the achievement of performance conditions applied over a rolling three year performance period; and

- provide for relevant and measurable key performance measures for ‘at risk’ remuneration, which are aligned to corporate or Brand System performance, including as the case may be NPAT performance, Brand System performance (including organic outlet growth), EPS and TSR growth.

Today’s meeting also considers a number of resolutions which concern the framework applied to the CEO’s remuneration. This framework is distinguished in part from that applied to the remainder of RFG’s key executive and senior management personnel in that it provides both incentive for future performance but also reward for exceptional past performance and service to the Company.

That performance includes the CEO’s integral involvement in bringing to fruition a number of significant EPS accretive acquisitions, together with implementation of fundamental change to RFG’s organizational framework which has facilitated, and continues to facilitate, RFG’s growth.

Given these factors, and that the proposed issue of equity represents a cost-effective and efficient method for remunerating the CEO, the Board, with Mr Alford obviously abstaining, has no hesitation in recommending that shareholders vote in favour of the resolutions just referenced.

Ultimately, structured ‘at risk’ remuneration is widely utilised and universally acknowledged as an appropriate and legitimate device in establishing and setting executive remuneration. In this respect, your Board is confident that it has indeed ‘got it right’ and that the Company’s FY14 Remuneration Report will reflect an enhanced remuneration structure better aligned to shareholder interests.

[Slide 11]
Close:

Before closing, I wish to acknowledge the valued efforts of RFG’s management, franchisees and staff, and to thank them for the outstanding results they have achieved.

I believe that one of RFG’s fundamental strengths is the quality of its people, the efforts they exert and the experience and attitude they bring to their job every working day.

When coupled with the Company’s many franchisees, whose efforts at the point of sale are the bedrock upon which RFG’s success is built, they pose a formidable team which sits at the forefront of retail food franchising.

Lastly, I would also like to take this opportunity to thank our valued shareholders for their support and commitment to Retail Food Group Limited. As I’ve indicated previously, it is truly a privilege to be afforded the opportunity to serve as Chairman of your Company.

I would now like to ask Managing Director and CEO, Tony Alford, to speak to you in more detail concerning the Company’s performance and plans for the future.

ENDS

A PLATFORM FOR GROWTH

INNOVATION & EVOLUTION

RETAILFOODGROUP

ANNUAL GENERAL MEETING 2013

CHAIRMAN'S ADDRESS

CHAIRMAN'S WELCOME

- Innovation & Evolution – these words are appropriate descriptors for a defining period in RFG's history.
- Over the past 18 months, Retail Food Group and its Brand Systems have genuinely evolved.
- Innovation in RFG's Brand Systems, and significant structural organizational enhancement, have been core pillars adopted to drive growth and stakeholder outcomes.

EVOLUTION OF SCALE

- A salutary example of RFG's evolution in scale is the Company's ranking in the Deloitte Queensland Index.

- In June 2006 (RFG's month of Listing), the Company was ranked 80th amongst the then 165 top Queensland companies, with market capitalization of $61m and a current share price of 85c.

- By contrast, the 31 October 2013 Deloitte Queensland Index ranked RFG 24th amongst 177 Queensland companies:
  - Market Capitalization had grown over $560m; and
  - RFG's closing price recorded in the Index was $4.36.

EVOLUTION OF REGISTER

- Since August 2006, RFG's shareholders have grown more than five-fold to over 4,700.

- In October 2013, RFG successfully completed a placement of circa 12.3m shares to raise $53m before costs – its second capital raising of this scale during the past 18 months. The placement was significantly over-subscribed and well supported by both existing and new shareholders.

- Eligible shareholders have the opportunity to participate in RFG's capital raising via the Share Purchase Plan, offer documentation for which was recently issued.

- RFG was included in the S&P/ASX300 Index (March 2013) and MSCI Global Small Cap Index (November 2013) – enhancing the audience for RFG's 'story'.

Why a Placement?

- A placement is a highly effective form of capital raising:
  - It avoids legal, printing & registry fees associated with other forms of capital raising;
  - It may be undertaken promptly;
  - It generally will have less influence on share price performance; and
  - It broadens the register.

- Your Board is of the view that RFG's share price performance would have been inferior to that achieved where, for example, a pro rata renounceable rights issue was utilised in the 2012 and 2013 capital raisings – as opposed to a Placement and SPP.

- This is supported by FY13 Total Shareholder Return (TSR) of 59.7%.

Evolution of Growth Drivers

- During FY13, RFG expanded its operations to include new channels for delivery of coffee products via acquisition of The Coffee Guy Brand System.
- Coffee operations now roast over 1.35m kilograms of beans annually.
- During FY13, RFG also cemented its position as market leader in the gourmet pizza segment of the QSR industry by completing its acquisition of the Crust Gourmet Pizza Brand System.
- Traditional Brand Systems continue to benefit from Project EVO initiatives and innovations.

Evolution of the Way RFG Does Business

- Migration to the Brand System organizational structure in 2H12 has proven highly successful.

- This structure has been supported by further enhancements:
  - Key senior management appointments;
  - Introduction of Executive Management Team (EMT) with >70 years' RFG experience; and
  - Additional organizational bodies to cross pollinate knowledge.

- Brand System structure drives increased ownership and accountability whilst providing infrastructure necessary for RFG to confidently pursue acquisitive and organic growth opportunities.

Evolution of the Board

- 2013 has witnessed further regeneration of the Board.
- Bruce Hancox retired at the end of April following five years service, followed by Tony Williams in June.
- Stephen Lonie was appointed a non-executive director in June 2013.
- Stephen brings to the Board an extensive range of professional, business and corporate governance experience, ensuring RFG remains appropriately structured and resourced to support ongoing strategic oversight requirements.

Evolution of Outcomes

- RFG delivered impressive FY13 outcomes:
  - Core NPAT: grew 13.3% to $34.3m;
  - Statutory NPAT: grew 12.1% to $32.0m;
  - Record final dividend of 10.25cps; and
  - Dividend payout ratio increased to c. 76% of statutory NPAT.

- Total Shareholder Return (TSR) cumulative average growth rate of 32.8% since Listing.

- Shareholders who invested $1 in RFG shares on the Company's IPO in June 2006 have received a return of circa 474%[1]

[1] Based on grossed up fully franked dividends of $1.25 and capital growth of $3.49 (based on 26.11.13 closing price of $4.49).

Evolution in How RFG Remunerates

- *Attracting and retaining senior management talent necessitates that RFG devise a remuneration strategy and framework that will attract and incentivize staff, drive performance and align with the interests of shareholders.*

- Report commissioned and adopted:
  - Aligns total fixed remuneration of key executives/senior management with market;
  - Introduces Short Term Incentives (STI) subject to annual performance gateways;
  - Provides for establishment of Long Term Incentive (LTI) Plan which will introduce LTI in the form of performance rights;
  - Provides for relevant and measurable key performance measures aligned to corporate/Brand System performance.

- AGM resolutions concerning CEO remuneration – incentives for future performance and reward for exceptional past performance and service to the Company.

Close

- One of RFG's fundamental strengths is the quality of its people, the efforts they exert and the experience and attitude they bring to their job every day.
- When coupled with franchisees who are the bedrock on which RFG's success is built, they pose a formidable team at the forefront of retail food franchising.
- Express thanks and appreciation to the Company's shareholders for their support and commitment to Retail Food Group Limited.