

13 December 2017

RECENT MEDIA COVERAGE

Retail Food Group (RFG) notes ongoing media coverage concerning the Company, its business and those of its franchisees. RFG does not consider this coverage accurately reflects the strong platform for growth it has established to assure a sustainable long-term future for its business and those of its franchisees, as well as other stakeholders.

In line with its continuous disclosure obligations, RFG has made considerable disclosure in relation to its financial performance, business operations, prospects and trading conditions in recent months. These disclosures provide an evidence-based overview of RFG's franchise operations.

The Company notes as follows:

1. 1H18 Trading Update

The latest update regarding RFG's operational performance was provided at its Annual General Meeting on 30 November 2017, which provided disclosure of its year-to-date franchise network performance:

- First 18 weeks' domestic weighted Same Store Sales (SSS) growth of +0.7%, and Average Transaction Value (ATV) growth of +1.9%. SSS and ATV data by Division was as follows:
 - Bakery Café: SSS and ATV, +1.1% and +2.0%
 - Coffee Retail: SSS and ATV, -1.6% and +1.1%
 - QSR Division: SSS and ATV, +2.7% and +2.9%
- RFG anticipates outlet population for 1H18 to be broadly in-line with FY17 closing network population, influenced by generally challenging retail conditions.

2. Franchisee support programs

The Company remains confident in the strength of its franchise model, but has noted numerous times in recent disclosures the challenging and evolving retail market in which its franchisees operate, particularly within shopping centres.

RFG has in place a range of support services available to its network. Contrary to media reporting, the facts of RFG's Franchisee support network include:

- A dedicated Sales & Performance team tasked with working alongside our franchisees to support outlet performance and mentor successful business owners;
- A Franchisee Care Centre, which helps franchisees access support services and resources;
- A Retail Performance Optimisation team focused on operational excellence; and
- A Learning & Development team, backed by industry leading training facilities and resources;

The Company has also invested in the broader support structures which underpin its Brand Systems to better assure the delivery of positive outcomes for franchisees. This includes continued investment in business intelligence, digital capability, product innovation and supply chain improvements.



RFG is not, however, relying solely on the support structures already afforded to its franchisees. In June 2017, RFG's new Managing Director and executive team initiated a business-wide review, supported by Deloitte, to:

- Examine the Company's cost base, effect supply chain consolidation and expedite synergies;
- Initiate strategic review of RFG's domestic franchise operations, noting the Company's focus on building stronger operational platforms, enhancing the Company's franchise investment proposition, and driving improved franchisee profitability;
- Better align resourcing with RFG's strategic plan, for an increasingly agile organisation; and
- Realising the Company's global potential and assuring a sustainable long term future for its business.

Earlier in the year, RFG also engaged extensively with its franchisee community regarding how the Company can better improve the support it affords franchisees and the outcomes available to them from participation in RFG's Brand Systems.

RFG's franchise operations are and remain an important aspect of the Company's increasingly diversified business model. RFG remains a passionate proponent of the strength and vibrancy of the full format franchising model, and considers the benefits provided by an established brand, proven systems and ongoing support enhances the opportunity for small business owners to achieve success.

3. Employee Entitlement Compliance

RFG views its responsibilities concerning this matter extremely seriously, and has for some time implemented a number of proactive steps to better assure employee entitlement compliance. The Company rejects any assertion as to systemic non-compliance within its network.

Contrary to media reporting, the facts regarding RFG's Employee Entitlement Compliance measures are:

- RFG takes a disciplined approach to wage non-compliance within its franchise systems;
- RFG has implemented initiatives to combat employee entitlement non-compliance. A key focus is education and preventative action – providing franchisees with the skills and information necessary to ensure they comply with requirements. These initiatives include the RFG Foundations program, which has been developed in collaboration with the National Retail Association (NRA), facilitating access to employment tools, workplace relations and legal advice, a national toll free workplace advice line and online resource portal;
- These activities are complemented by a structured audit regime focused on identifying and remediating non-compliance; and
- To provide further assurance, RFG appointed Deloitte to undertake an external review of this compliance framework.

ENDS

For further information, interviews or images contact:

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About Retail Food Group Limited:

RFG is a global food and beverage company headquartered in Australia. The Company is owner of the Donut King, Brumby's Bakery, Michel's Patisserie, bb's Café, Esquires, Gloria Jean's Coffees, It's A Grind, The Coffee Guy, Café2U, Pizza Capers and Crust Gourmet Pizza Bar Brand Systems, and is a significant wholesale coffee roaster supplying existing Brand Systems and third party accounts under the Di Bella Coffee Co. As well, RFG is an emerging leader in foodservice, dairy processing and wholesale bakery pursuits, operating the Hudson Pacific Foodservice, Associated Foodservice, Dairy Country and Bakery Fresh businesses. For more information about RFG visit: www.rfg.com.au