Directors' Report to Shareholders
For the Half Year ended 13 September 2010

Key Points

- Net Profit after Tax for the half year (excluding non-trading items) was $13.9 million (50.3% up on prior year). Reported profit (including non-trading items) was $13.5 million, up 51.9% on prior year.

- Total revenues of $176.6 million were 3.9% up on prior year, with same store sales up 4.9% for the half, still driven primarily by KFC.

- Earnings strongly improved across all three brands to a total EBITDA of $34.0 million, an increase of $6.4 million (or 23.3%) on the previous half year as the benefits of improving sales, higher efficiencies and reduced input costs flowed through.

- Directors have declared a fully imputed interim dividend payable on 26 November 2010 of 7.0 cents per ordinary share, up 55.6% on last year.

Group Operating Results

Restaurant Brands' unaudited net profit after tax (excluding non-trading items) for the half year ended 13 September 2010 was $13.9 million, a 50.3% increase on the prior year's result of $9.2 million. Reported profit was $13.5 million (13.8 cents per share) 51.9% up on prior year.

All three brands recorded higher profits, with KFC EBITDA up $4.8 million (20.1%), Pizza Hut improving by $0.9 million (42.5%) and Starbucks Coffee up $0.6 million (47.9%).

Some leverage from higher sales (in the case of KFC), some gains from closures of poorer performing stores (in the case of Pizza Hut and Starbucks Coffee) and improved operational efficiencies and lower input prices across all three brands contributed to the enhanced result. Total brand EBITDA was up $6.4 million (23.3%) on the previous half year.

Total operating revenue at $176.6 million was 3.9% up on prior year, with KFC sales growth of $8.8 million partially offset by a decline in Pizza Hut and Starbucks Coffee sales of $1.6 million and $0.6 million respectively. Overall total group same store sales however continued to grow at 4.9%.

Directors are pleased with the continuing improvement in performance with the $4.7 million (50.3%) increase in profit for this half year rolling over a $4.4 million (89.4%) improvement in the 2009/10 half year.

KFC Operations

KFC saw continued strong growth driven by its transformation programme, with total revenues of $127.1 million, up 7.5% ($8.8 million) on prior year and up 7.9% on a same store sales basis.

Continued new product and promotional activity, underpinned by the continuing store transformation programme, all contributed to the strong sales growth. Successful promotions over the first half included the *Movie Mania Bucket, Ultimate Burger Meal*, the *Supercharged Zinger Burger* and *All Stars Box*. *Krushers*, the KFC frozen beverage range, also continued to perform strongly, even over the winter months.

With further leverage from strong sales and continued operational efficiencies, together with the benefit of the full impact of the new chicken contract, the KFC business produced further EBITDA improvement for this half year. KFC's EBITDA at $28.8 million (22.7% of sales) was $4.8 million (20.1%) up on prior year.

Four stores were transformed over the half year, being Dunedin North, Invercargill, Colombo Street (Christchurch) and Papakura (Auckland), with all performing to or ahead of expectations. In addition, two new stores were opened in Pt Chevalier (Auckland) and Gate Pa (Tauranga). The Levin store was also re-opened following extensive reconstruction after its major fire.

A total of 42 stores have now been transformed which, with an additional six new ones, brings the total number of new format stores to 55% of the 87 in the network. Two new stores in Hamilton and Papamoa (Tauranga) will be opened by year end.

KFC store numbers at balance date totalled 87, being three up on the prior year with new store openings.

Pizza Hut

Pizza Hut saw a continuation of the strong earnings growth that commenced in 2009. The EBITDA of $3.1 million for the half year increased $0.9 million or 42.5% on last year (which was 85.9% up on the year before). Pizza Hut EBITDA margin hit 9.3% of sales, driven by strong operational controls over wastage and labour, loss prevention initiatives, changes to menu with higher margin products and closures of unprofitable stores.

Total sales were down over the period with a drop of $1.6 million (4.6%) to $33.8 million. This was a function of lower store numbers with closures of three loss making red roof restaurants. Same store sales were down 2.9%.

Pizza Hut finished the half with 88 stores of which four were red roof restaurants.

A number of new products were released over the half, including the very successful *Big New Yorker* pizza, *Garlic Bites* pizza and *Cheesy Garlic Bread*. There were also a number of new flavour variants introduced such as *BBQ Smokehouse* and *Angus Beef*. The re-launch of the *More-4-All* and *Pizza Mia* pizzas also contributed to overall sales.

The Pizza Hut store sell down programme continues with the first store (Nelson) sold after balance date and one further expected to be sold before the end of November.

Starbucks Coffee

Continued improvements in operating efficiencies, the benefit of a strong exchange rate and the closure of some poor performing stores all assisted in enhancing profitability for the Starbucks Coffee operation. The business produced a solid EBITDA of $2.0 million for the half, up $0.6 million or 47.9% on last year. The Starbucks EBITDA margin as a % of sales is now running at 12.9%.

Sales were down by $0.6 million or 3.8% on last year with three less stores, but rose 0.5% on a same store basis, returning to positive growth in the second quarter after five quarters of decline. Sales for the half year totalled $15.5 million.

Store numbers were 39 at balance date, three down on prior year.

Corporate & Other

General and administration expenses at $7.2 million were marginally ($0.2 million) up on the prior half year. There have been some minor headcount increases as the underlying businesses have grown, and higher levels of incentive payments as the company enjoys higher levels of profitability. G&A costs, however, represent just over 4% of total revenues, within acceptable limits.

Interest expense at $0.6 million continues to fall ($0.2 million down) against prior year as a result of lower debt levels, despite some increase in interest rates.

The company renewed its facility (reduced to $35 million) with Westpac Banking Corporation for a further two years commencing 10 September.

Non-Trading Costs

Non-trading items of $0.6 million primarily comprised asset write offs and make good costs on store closures, partly offset by insurance proceeds received for the KFC Levin store rebuild.

Cash Flow & Balance Sheet

Total assets at $114.6 million were $11.6 million higher than the previous year end, with property, plant and equipment at $83.0 million versus $73.4 million, mainly as a result of the acceleration in KFC transformation expenditure. There were no substantial write downs on intangibles as all three brands continued to maintain enterprise values well in excess of their carrying values.

Total liabilities at $59.8 million were $5.5 million down on the full year balance, with total bank debt down $5.1 million to $12.6 million. Creditors and accruals, however, were up by $11.3 million with the timing of creditor payments (20^{th} of the month) contributing to the significant increase.

Debt has been re-classified as non current with the renewal of the bank facility on 10 September for a further two years.

Operating cash flows of $26.0 million were slightly up on the previous half year's $23.4 million and in line with the improved profitability and timing differences in creditors' payments.

Cash outflows from investing activities were significantly up on the previous half year, mainly because of KFC transformation expenditure. They totalled $13.4 million compared with $4.5 million for the first half last year.

Higher levels of dividend impacted financing cash flows with $7.8 million paid to shareholders over the half year versus $3.9 million in the previous half.

Dividend

The improved profit performance and stronger balance sheet have led directors to declare an interim dividend of 7.0 cents per share (55.6% up on last year).

The dividend will be paid on Friday 26 November 2010 to all shareholders on the register at 5pm on Friday 12 November 2010. For overseas shareholders, a supplementary dividend of 1.2353 cents per share will be paid at the same time.

Directors have elected to continue to suspend the dividend reinvestment plan for the time being, but will review this again prior to the declaration of a final dividend.

Outlook

Whilst Restaurant Brands has continued to enjoy solid profit growth in the first half of the year, directors re-affirm their previous guidance; that the company will make a full year profit (excluding non-trading items) of $24-26 million for the 2010/11 year.

Economic storm clouds still remain on the horizon and the full impact of the GST increase versus lower direct tax rates has yet to work through into consumer spending. Consumer sentiment is not bullish.

The KFC business will continue to deliver solid profits into the second half year; it will, however, be rolling over some very strong second half results from the prior year. Pizza Hut will maintain the operational improvements of the first half, but will see some input price increases. Continued improvement in Starbucks Coffee sales is also expected towards the end of the financial year; however, margin growth will be limited by input price increases.

KFC transformation spend will continue with another four stores to be transformed (and two new stores opened) by year end. Pizza Hut stores will continue to be sold to franchisees over the balance of the year.

NPAT for the second half of the current year will be consistent with the 2009/10 half year result.

For further information, please contact:

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RESTAURANT BRANDS GROUP
Consolidated Income Statement

$NZ000's (Unaudited)	1st Half 2011 13 September 2010	% sales	vs Prior %	1st Half 2010 14 September 2009	% sales
Sales					
KFC	127,051		*7.5*	118,203	
Pizza Hut	33,756		*(4.6)*	35,386	
Starbucks Coffee	15,477		*(3.8)*	16,086	
Total sales	**176,284**		*3.9*	**169,675**	
Other revenue	280		*6.1*	264	
Total operating revenue	**176,564**		*3.9*	**169,939**	
Cost of goods sold	(138,990)		*(0.5)*	(138,244)	
Gross margin	**37,574**		*18.5*	**31,695**	
Distribution expenses	(2,026)		*3.9*	(2,109)	
Marketing expenses	(8,115)		*5.5*	(8,588)	
General and administration expenses	(7,232)		*(3.0)*	(7,018)	
EBIT before non-trading	**20,201**		*44.5*	**13,980**	
Non-trading	(596)		*(12.0)*	(532)	
EBIT	**19,605**		*45.8*	**13,448**	
Net financing expenses	(572)		*31.3*	(832)	
Net profit before tax	**19,033**		*50.9*	**12,616**	
Taxation expense	(5,556)		*(48.4)*	(3,745)	
Net profit after tax (NPAT)	**13,477**		*51.9*	**8,871**	
NPAT excluding non-trading	**13,894**		*50.3*	**9,243**	
EBITDA before G&A					
KFC	28,842	*22.7*	*20.1*	24,008	*20.3*
Pizza Hut	3,147	*9.3*	*42.5*	2,209	*6.2*
Starbucks Coffee	1,997	*12.9*	*47.9*	1,350	*8.4*
Total	**33,986**	***19.3***	***23.3***	**27,567**	***16.2***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	32.1			18.6	

Cost of goods sold are direct costs of operating stores: food, paper, freight, labour and store overheads
Distribution expenses are costs of distributing product from store
Marketing expenses are call centre, advertising and local store marketing expenses
General & administration expenses (G&A) are non store related overheads