RESTAURANT BRANDS NEW ZEALAND LTD

ANNUAL SHAREHOLDERS' MEETING

Duxton Hotel, Wellington, 11 am, 26 June 2009

ADDRESS BY CEO RUSSEL CREEDY

Fellow shareholders, ladies and gentlemen

There is life in a recession and Restaurant Brands' performance in 2008/09 is testimony to that.

This is my second annual meeting as chief executive officer and I am happy to endorse the chairman's assessment that the company is making steady progress toward a more acceptable performance. I would like to put on record my sincere thanks to the board, my fellow managers and staff for their support during a period of considerable challenge. Their commitment to the company has helped us weather the economic storm when many of our competitors are struggling.

The senior leadership team and structure has changed since last year with the brand operators and marketing reporting directly to me, resulting in a flatter structure and new blood entering the leadership team.

Restaurant Brands has done relatively well, although results for our brands have been mixed.

As reported, our stellar brand, KFC, enjoyed another record year in terms of sales and profitability, breaking through the $200 million sales level for the first time to finish the year at over $211 million and accounts for 68% of sales.

KFC's earnings before interest tax, depreciation and amortisation (EBITDA) similarly increased to a new high of $38 million, now accounting for 87% of Restaurant Brands' total EBITDA.

On the other hand, Pizza Hut and Starbucks Coffee slipped back on profitability compared with 2007/08. Pizza Hut's EBITDA result of $2.8 million was $1.7 million down and Starbucks Coffee produced earnings of $2.9 million, down $900,000.

Given the speed of change in the economy I would like to expand on the recent quarter's results.

As the chairman noted, the positive sales trend has continued in the first quarter of the current year for KFC, and Pizza Hut returned to same store sales growth for the first time in nearly four years. The performance of Starbucks was disappointing and I'll talk more on this later.

The first quarter of the new year saw the KFC business deliver positive sales growth following its strong performance in 2008/09. Total sales for KFC are up 6.5% on the previous year and up 8.3% on a same-store sales basis.

The KFC sales increase of $3 million brought the first quarter to a total of $50 million, producing another sales record for KFC as the highest first-quarter total since the inception of Restaurant Brands.

The brand continues to benefit from, the rebuilding of stores, consistency in store operations, wider menu options and a more focused approach to marketing. These factors, together with the closer alignment to the franchisor's marketing programmes all helped deliver the improved sales result. The growth in total sales was achieved despite the end of lease closure of three stores since the equivalent quarter last year.

Successful promotions during the quarter included the introduction of the new *Movie Trivia Bucket, Ultimate Burger Meal* and *Mixed Fillets Meal*, the return of favourites such as the *Wrapstar* and the revamp of one of KFC's iconic individual meals as the new *Deluxe Quarter Pack*.

Store numbers remained stable at 84 during the quarter but were three down on the equivalent quarter last year.

Total quarterly sales for Pizza Hut were up 2.4% on prior year to $15.5 million despite the closure of four stores at lease end since the same quarter last year.

Same-store sales increased 5.2% in the first quarter of the new year and as I outlined earlier, this marks the first quarterly increase in both total and same-store sales for the brand for nearly four years. This sort of positive growth is encouraging as the brand benefits from improved in-store operations and the recent changes to marketing together with new product releases.

An increase in new product offerings and more innovative promotional activity, better reflecting the needs of the market have been the major contributors to this return to positive sales growth.

This quarter's promotional activity included the return of the innovative *More 4 All* Pizza, a continuing favourite with Pizza Hut customers. Toward the end of the quarter, Pizza Hut launched *Tuscani Pastas*, a restaurant-quality pasta offering that has been very successful in overseas markets. Initial sales of *Tuscani Pastas* have been encouraging with sales exceeding initial expectations. The current *Hot-2-You* guarantee has started well and we look forward to seeing sales build.

The Starbucks Coffee brand experienced a softening in demand across coffee and food lines.

The performance of Starbucks Coffee was poorer that expected with sales down 2.3% on the previous year on a same-store basis, and down 5.5% in total with two fewer stores than the first quarter last year.

The loss in sales is seen as temporary with some changes to the management of the business and a review of pricing, product mix and customer offer underway to address this change in demand, whilst still maintaining margins. Store numbers remained unchanged at 42 for the quarter.

What the current year holds for Restaurant Brands is hard to fathom, although the signs are that the recession will ease by Christmas and that the economy will slowly return to normal.

Our focus, however, is not on the economy, although we are not immune to the economic downturn, but on how the company performs. This means striving for the best outcome for all three brands whatever the economic weather brings.

KFC, as you are aware, continues to be the engine-room of the business. We will keep reinvesting in store transformations. Furthermore, taking advantage of the economic environment to pursue opportunities for new sites, we will be increasing our level of new store builds. We are currently planning on building two new stores and completing rebuilding of at least another six this year. This will bring the number of transformed stores in the KFC network to 50% of the total. As can be seen from our recent reports, the financial outcomes from these investments are very positive and we intend to continue this programme into the foreseeable future.

The new product pipeline remains sound and the marketing of the brand has undergone an extensive review resulting in a closer alignment with the Yum! International marketing strategies, which provide considerably more resource to promote the KFC brand, facilitate more effective and targeted advertising expenditure and allow access to a wider range of international marketing material and new product development opportunities.

Two new exciting product releases are planned for the second half of this year.

The first is a new chilled beverage range, called *Krushers. Krushers* has proved very successful in Australia and has performed well in a limited test market over here. With a move in international trends to a greater range of drinks on offer in store, this product has considerable potential.

The other is a new grilled chicken range. This product has been released in the US and Australia, and has proved very successful in those markets. It has an added advantage of addressing some of the “healthier choice” issues KFC sometimes faces.

We are dedicated to arresting the decline in the Pizza Hut business and during the past 12 months we further enhanced our new computer system for greater control and deeper analysis of the business. We also increased our loss prevention activity and introduced a number of improved controls into our store operations. As previously noted, the return to positive sales growth will be the ultimate determinant of future profitability for this brand, and there are some very positive signs. There is, however, still some way to go.

Restaurant Brands is committed to preserving the position of Pizza Hut as the number one brand in New Zealand and will continue to take whatever actions are necessary to do so.

At a strategic level, as the chairman reported, we have signed an agreement with our franchisor, Yum! Restaurants International, that maps out a positive future for the Pizza Hut business. The franchise has been renewed for another 10 years, with a number of additional provisions providing Restaurant Brands with options to restructure the business as required.

The agreement allows us much more flexibility in closing under performing stores and, most importantly, introduces the option of selling off individual stores to franchisees. The new arrangement allows us to rationalise the network for better profitability, but still provides Restaurant Brands with the day-to-day control and direction of the brand.

The Starbucks Coffee operation did not enjoy a good year in 2008/09, mainly because of significant increases in cost of sales. There were significant cost increases in the imported content, especially coffee and packaging, as the New Zealand dollar relativity with the United States dollar nearly halved over the year.

Since balance date, a number of plans have been put in place to offset these cost increases in areas of product sourcing, wastage control, pricing reviews and mix management, and we are confident of improved profitability.

There may be a small amount of store rationalisation around lease ends and new store opportunities continue to be evaluated on a selective basis.

The chairman noted the productivity improvements in the past year. I would just like to reiterate that above-store general and administrative overheads remain a constant focus. Our general and administrative costs of $10.6 million were down $400,000 on 2007/08 as we further flattened the organisation and improved our internal efficiencies. General and administrative costs as a percentage of sales have fallen from 3.8% two years ago to 3.4% today.

We continue to benefit from a committed and competent workforce of nearly 4500 partners working for us. Training is a key feature of staff career development and Restaurant Brands' annual $1 million investment in training, together with the provision of qualifications in food safety and hospitality, is well recognised by other industry operators.

As always, our partners' safety is paramount. The company has strong leadership and commitment from its Health and Safety Council, comprehensive safety training programmes are in place and speedy delivery of active rehabilitation supports early return to work for injured partners. As a result, we continue to maintain our ACC Partnership Programme at the highest level and our accident rates continue to fall, with lost time injuries down 49% on the previous year.

Restaurant Brands is an environmentally aware company. Over the past year, a number of initiatives were established to lessen the company's environmental impact and enhance profitability. These included setting up, a measurement process for the company's carbon footprint, operating power management systems in KFC restaurants, shifting our fleet to hybrid cars, operating a comprehensive waste management and recycling system in stores and reduced water usage through in-store controls.

The 2008/09 year has been challenging but the continued strength of the KFC brand has seen Restaurant Brands through. The annual report talks about the "12th ingredient" — the ability of Restaurant Brands to effectively manage its brands. That's what we have done and what we will continue to do — enhancing the KFC performance, while bringing increased profitability to Pizza Hut and Starbucks over the coming year.

Restaurant brands has great stores and will continue to enhance the network.

We have great people and will continue to grow and develop our own timber.

Yum! continues to innovate and we will take and use what is appropriate for the market and utilise the vast international marketing resource available.

It is all about providing great experiences for our customers.

….and having happy customers at the end of the day.

The past year has been challenging but positive and I see this trend continuing in 2009/10. We cannot alter the nature of the world or the affect on the New Zealand economy but we can change our company and continuously improve, whether in good times or bad, this is the name of the game.

We thank all our stakeholders for their support in 2008/09 and look forward to receiving that continued loyalty in the current year and beyond.