CEO's Address to the 2011 Annual Shareholders' Meeting

Ladies and Gentlemen and fellow shareholders.

Introduction

I'd like to take this opportunity to acknowledge our teams across all three of our brands here in Christchurch, to commend them for the way they have coped with the trauma created by the earthquake and to sincerely thank them for their hard work in bringing the business back to our stores.

With 19 stores, Christchurch represents a significant part of Restaurant Brands' turnover and earnings and you will have seen the impact of the loss of sales in our recent sales release.

Whilst fully insured from a loss of margin point of view, we estimate that the lost sales from store closures since 22 February to the end of the first quarter have been in excess of $3 million with KFC down $1.8 million, Pizza Hut $0.7 million and Starbucks Coffee $0.6 million.

Staff

The Chairman referred to the strong results we produced for the last year. These however would not have been possible without the outstanding efforts of our team of 4,500 staff and the senior management team who lead them. I am fortunate to have a very dedicated and capable senior team and I'm pleased to be able to introduce them to you now.

- Grant Ellis – CFO
- Brent Kitto – GM KFC
- Arif Khan – GM Pizza Hut
- Mike Trevenen – GM Procurement & Supply
- Jennifer Blight – HR Manager

We are in the process of recruiting a new GM for our Starbucks Coffee business at the moment and an announcement on this will be made shortly.

2010/11 Results – KFC

Unquestionably, the $25.1 million NPAT (net profit after tax) for the 2010/11 was driven by another bumper year for our KFC business.

KFC achieved record sales of $235.8 million, 5.6% up on prior year and 4.4% up on a same store sales basis. This is even more impressive when you consider this was achieved after posting 9.2% same store sales growth in the previous year. These sales generated record earnings with $52.1 million EBITDA, up 12.7% on the prior year.

Last year was also a strong year for transformation, with nine stores being transformed and four new KFC's built over the course of the year. Total KFC store numbers are now 89 with 50 now having been transformed.

Whilst overall very positive for the brand, the transformation process places considerable pressure on operations, particularly when it's undertaken at the kind of pace that it was implemented at last year. During the transformation process, all staff in the store are retained on full wages and retrained for periods of up to three months. For new stores, up to 45 staff per store need to be trained from scratch.

As we have already announced, in order to reduce the pressure on the business and match the pace of change with the prevailing economic climate, we have scaled back the transformation process slightly in the coming year. During 2011/12 we intend to transform four to five stores (compared with nine last year) and to build one or two new stores only. We remain fully committed to the transformation process; however we see value in allowing the business to adopt a more measured approach to the next major transformation roll outs. We continue to see solid improved sales and performance from our transformed stores, now up to five years after transformation.

In parallel with our transformation strategy, the KFC brand will continue to grow by introducing an impressive range of new products.

Shareholders may be aware of the success of our most recent new product, the *Double Down*, a bun-less chicken burger, in New Zealand. Less reported but also successful was the release of the new grilled chicken range which has already established itself at sales levels in excess of 5% of total mix, bringing new customers into the business.

2010/11 Results – Pizza Hut

Pizza Hut's strategy continues to focus on earnings enhancement, rather than sales growth at all costs. To that end, during the 2010/11 year we successfully grew EBITDA to $5.6 million from $5.4 million in the previous year despite reduced sales of $59.3m.

We commenced our store sell down process in earnest in 2010/11 with 5 stores sold over the course of the year to independent franchisees. We are targeting a further 10 sales in the current year with four of these having already settled.

It makes sound economic sense for smaller regional stores to be run by independent franchisees who have the right support and flexibility in cost structure to operate at lower sales levels than those under a corporate-ownership model. We are beginning to see the benefits of this strategy which provides the best operating model for both the company and the brand.

We will continue to support our new franchisees from both a marketing and operations perspective whilst consolidating our own Pizza Hut business around the main urban centres.

2010/11 Results – Starbucks Coffee

Starbucks Coffee has enjoyed a resurgence in the last 12 – 18 months, returning to positive same store sales growth for the year and delivering a significant turnaround in margin. EBITDA increased to $4.1 million, up 27% on prior year with better efficiencies, lower input costs and the closure of four poorer performing stores as part of a rationalisation process.

In the coming year, Starbucks Coffee will focus on maintaining the momentum in same store sales growth through the introduction of a new menu, as well as maintaining margin through ongoing improvements in store operations and new supply chain cost reduction initiatives.

We will also be exploring further new site opportunities for the brand including those in Christchurch to make up for the unfortunate closure of the three stores in the central business district.

Staffing

As I said earlier, we continue to rely on the hard work and competence of our staff at all levels. In turn we offer our staff ongoing training and development opportunities, appropriate remuneration and rewards and most importantly a focus on their health and safety.

I am pleased to report we have continued to reduce the number of work place accidents. This reflects our emphasis on improving controls and reporting on such accidents.

Despite the relatively high levels of turnover that are a fact of life in the industry, we have a good number of our staff who have risen through the ranks to contribute at the highest levels.

Current Trading

We released our first quarter sales results at the end of last month. These saw same store sales growth in the KFC and Starbucks businesses but a decline in Pizza Hut sales.

We are pleased with the 0.3% same store sales growth delivered by KFC for the quarter, particularly as we had negative same store sales for the last quarter of last year and the fact we were rolling significant same growth of 8.5% for the first quarter of the previous year.

KFC sales again hit an all time high for the quarter at $55.8 million primarily driven by the success of the *Double Down* promotion.

During the promotion we sold over 600,000 of these products. This represents a rate that is nearly five times the rate achieved in the US and Canada during their successful initial *Double Down* launches.

We were particularly pleased with the strength of the *Double Down* sales given this was achieved with a minimal amount of marketing expenditure, but with unprecedented publicity.

Unfortunately the success of the *Double Down* contributed to negative Pizza Hut same store sales growth which came in at -15.7%. This is of some concern and a number of actions are under way to address this.

Starbucks Coffee's 4.3% same store sales growth during the quarter is pleasing and demonstrates a continuation of the improvements being experienced by that brand.

New Initiatives

We continue to work hard to build momentum and improve efficiencies on our existing businesses.
New product development remains a key part of driving sales and the KFC business in particular has seen a strong pipeline of new products coming through, including the *Double Down*, *KFC Grilled* and *Krushers* amongst others.

The Starbucks Coffee food range has also been instrumental in enhancing Starbucks sales. Most New Zealand coffee drinkers prefer something to eat with their coffee and our new menu has tapped into this trend.

Last year's *Big New Yorker* pizza and *Pizza Mia* releases in Pizza Hut were also successful and we are currently evaluating some additional options in this area.

We have also introduced a number of major initiatives to improve efficiency. They have included: the introduction of the new *Micros* point of sale system in KFC. This system has improved in-store efficiencies and provided opportunities for more detailed transaction analysis, enabling a higher quality of decision making around sales data. Meanwhile, the introduction of XBR, an audit tool, has also proved very successful by continuing to reduce theft and shrinkage in our stores. These initiatives, together with the roll out of closed circuit television across our KFC stores, give us confidence of being able to further improve store efficiencies and deliver margin points back onto the bottom line.

Recently we changed the oil used for frying from Palm Vegetable oil to a healthier Sunflower/ Canola blend. This new oil is part of a wider approach KFC is taking to improve the nutritional content of its products where it can, without sacrificing that great taste that our customers know and love

New Brands

The market is aware of the possible introduction of a fourth brand *Taco Bell* into New Zealand. While we have not made a decision on this, we have had early discussions with Yum!, the owner of the brand, and have spent some time visiting *Taco Bell* in the States and evaluating their stores and product offerings.

We believe that the brand does have “legs” in New Zealand, but there is a considerable amount of work yet to do before we can make a decision to undertake a pilot in this country.

Conclusion

Your annual report talks of the range of competencies that Restaurant Brands brings to bear in making our three brands (or indeed any more brands we may bring on) operate in an efficient and structured manner to produce the results that we have seen in the past couple of years.

We are confident that our strengths in these areas provide us with a unique and sustainable platform from which we can continue to grow upon our success. We see a number of opportunities to leverage our strengths. .Whether this occurs through further improvements and organic growth in our existing business or through the introduction of new brands, the team at Restaurant Brands is energised and dedicated to continuing to deliver for our customers and shareholders.

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