RESTAURANT BRANDS NEW ZEALAND LTD

ANNUAL SHAREHOLDERS' MEETING

Duxton Hotel, Wellington, 11 am, 26 June 2009

ADDRESS BY CHAIRMAN E K (Ted) van ARKEL

Fellow Shareholders, Ladies and Gentlemen

It is a pleasure to be in Wellington today where we have a significant retail presence, 750 of our approximately 6,000 shareholders reside and where, incidentally, two of our directors live.

I am pleased to report that during 2008/09 Restaurant Brands made steady progress along the path to recovery. It produced a creditable result in a challenging economic environment – a reflection of the commitment of the board, the strength of the company's management and a measure of some important productivity gains during the year.

The centre of our improved performance was again the KFC operation, which achieved record sales of $211.5 million and now rates as one of the better-performing KFC franchises worldwide. KFC has made a substantial contribution to this year's result.

The company's net profit after tax (excluding non-trading items) for the year was $11.7 million (or 12.1 cents per share), up $1.4 million on the previous year. However bottom-line net profit after tax (after accounting for non-trading items) was slightly down, due largely to the $3.7 million in impairment charges taken on the Pizza Hut business.

Total sales for our three New Zealand businesses in 2008/09 were $309.1 million, up 1.8% on 2007/08 and up 1.6% on a same-store basis, continuing a consistent trend of the past few years.

I am also heartened to report that the overall sales trend for the first quarter of 2009/10 – the 12 weeks to 25 May 2009 – has continued to firm. Sales for our three brands totalled $72.8 million, an increase of 4.3% on the equivalent period last year. Same-store sales rose 6.5% with KFC and Pizza Hut recording same-store sales growth during the quarter, although Starbucks Coffee sales were slightly negative.

The current economic environment, whilst challenging has not impacted our sales as adversely as originally anticipated.

Russel Creedy, our chief executive officer, will provide more information on our first quarter's trading in his address.

The company remains committed to all three brands and, as was announced this week, has signed an agreement with our franchisor, Yum! Restaurants International, to extend the Pizza Hut franchise for a further 10 years. Russel will outline the benefits of the agreement in his presentation.

Brand earnings

Brand earnings before interest, tax, depreciation and amortisation (EBITDA) totalled $43.7 million, marginally down on last year's $44.2 million. The KFC improvement of $2.1 million to $38 million was completely offset by EBITDA reductions in Pizza Hut of $1.7 million and Starbucks Coffee of $900.000 respectively.

Pizza Hut saw reduced profitability because of a combination of continuing raw material price increases and wage cost escalation, together with the impact of de-leveraging fixed costs on declining sales. The Starbucks margin was heavily hit by a substantial fall in the NZ dollar, which nearly halved in relative value to the US dollar over the year and severely impacted our imported coffee costs.

Despite the lower overall EBITDA at the store level, reduced general and administrative expenses and substantially lower interest costs brought net profit after tax (excluding non-trading items) up to the reported $11.7 million.

Strong balance sheet

Although total assets of $101.1 million were down on the $112 million at last year end as a result of Pizza Hut impairment charges and the differential between lower capital spending and depreciation over the year, the balance sheet actually strengthened during 2008/09.

Despite the increase in net profit after tax, operating cash flows at $23.3 million were below 2007/08, mainly because of changes in working capital and an increased taxation expense. However, investing cash outflows were also significantly down as we reduced the pace of our transformation spending in an uncertain economic environment (and reached our $35 million contractual commitment with Yum!). Investing cash flows in 2007/08 also had $3.1 million in franchise renewal fees for KFC. This was not repeated in 2008/09.

The improved free cash-flow position meant that we were able to retire a further $8.2 million in bank debt over the year (in addition to the $6.1 million reduction last year). Year-end borrowings were $34.3 million, well within current facility limits of $55 million and giving us a relatively conservative gearing. We have continued to pay down debt in the current year with borrowings as at today's date down to $28 million.

Dividend

The company has produced a creditable result for 2008/09, despite some challenges in the Pizza Hut and Starbucks' operations. In keeping with the board's view that the continued improved performance of the company should be reflected in an increased return to shareholders, a final dividend of 4 cents per share has been declared. This brings the total dividend to 7 cents per share, up from 6.5 cents last year.

The fully imputed dividend will be paid today to all shareholders who were on the register at 12 June 2009. Non-New Zealand shareholders will also receive a supplementary dividend.

Our aim is to continue to increase dividends to shareholders as profitability improves.

Board

Directors continue to work closely with management in guiding the company through these challenging times, while maintaining high standards of corporate governance. The independent directors have approved further investment in the company by Danny Diab, who now holds 4.9 million shares (just on 5% of total shares on issue) and is now our single largest individual shareholder. Chief executive officer Russel Creedy has also purchased shares (under our approved securities trading rules), demonstrating his commitment to Restaurant Brands.

The board notes with regret the resignation today of Shawn Beck and acknowledges the excellent input Shawn has given to the board in his eight years as a director. Shawn's commercial expertise and financial skills have been of considerable value during some very difficult times.

I also wish to acknowledge the support and involvement of my other fellow directors during this challenging year.

Directors' fees

The board is recommending to shareholders a small increase in directors' fees. These have not been increased since 1998 and no longer adequately reward directors for their input. The level of directors' fees has been professionally appraised and not surprisingly after 11 years is well below current market levels.

Shares

It is pleasing to note that the company's share price has enjoyed a resurgence in the past few months. It has improved from a recent low of 57 cents to about $1.00 today as investors have started to see some the value being generated from our better performance and the potential for further profitability. Even at today's price however our share remains well below consensus analyst valuations.

I am equally pleased to be able to report that with our consequent higher level of market capitalisation, our stock rejoins the NZX50 next week.

People

As always, our people are the key factor in delivering the sort of results our shareholders require. The board acknowledges the effort of staff and management in the company's result and in particular I want to thank our senior management team, ably led by Russel Creedy during the past year.

Opportunities

While the management focus has been on improving the performance of existing businesses over the past 12 months, the company is always open to new brand opportunities. This annual report, as you will see, talks about the "12th ingredient" — the company's expertise in operating food retail brands — and as the existing businesses stabilise, we will be looking for new opportunities to leverage that expertise, especially where they arise in the current economic environment.

Yum! relationship

I am pleased to report that both Russel and I were able to attend a recent Yum! franchisee conference held in Prague. We were able to observe and listen to a number of speakers, participate in workshops and see new trends and opportunities presented.

Our relationship with Yum! International is now better than ever and we look forward to building on the opportunities that may be presented to us over the next few years.

Outlook

Although this year's trading results must be considered as satisfactory in these somewhat difficult times and continue to show improvement over the previous two years' performance, directors remain cautious as to next year's outcomes.

Continued improvement in bottom-line results requires the momentum of the KFC brand to be maintained and the other two brands to demonstrate a solid turnaround in earnings performance. This will not be easy in the face of continued cost pressures and the uncertain economic climate.

However, as reported in our first quarter sales result, trading has started well and therefore directors are comfortable that on current performance the company will produce a profit result for the year (excluding non-trading items) of in the vicinity of $12 million.

I now call on Russel Creedy to address the meeting.

Ted van Arkel
Chairman

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