Chairman's Address to the 2013 Annual Shareholders' Meeting
28 June 2013

As I said in this year's annual report the 2013 year can be summed up in two words – EXCITING and CHALLENGING.

The excitement came firstly from the launch of Carl's Jr., a strongly performing US-based burger brand and secondly from the success of the turnaround in Pizza Hut as a result of our value offering.

The challenge came from a weak economic recovery presenting a myriad of decisions requiring careful thought and navigation.

Before I talk to you about the business and what we have achieved over the past 12 months I'd like to reflect briefly on the essence of Restaurant Brands the company and the brands it holds the franchises for.

Russel and I have just returned from an international Yum! conference in China and it brought home to me the power of the brands we operate and the importance of being part of an international fraternity providing, not just food and beverage, but also a brand experience to much of the world. We saw this corporate video at the conference, incorporating an overview of the Yum! international markets and we'd like to play it to you now.

As you've just seen, Yum! Brands, our franchisor for the Pizza Hut and KFC businesses, is the world's largest restaurant company in terms of system units with more than 39,000 restaurants in more than 125 countries and territories. Yum! is ranked number 213 on the Fortune 500 and generated more than $US13 billion in revenue last year.

KFC, our largest brand, also is a big part of Yum!, with over 18,000 restaurants in 120 countries, generating system sales of US$23 billion. In terms of brand recognition, KFC ranks as the second most popular restaurant brand on the planet and it goes without saying there is no peer when it comes to the chicken category. We are indeed fortunate to hold this franchise for New Zealand.

Whilst not quite the powerhouse that KFC is, Pizza Hut is certainly up there with third ranking in the restaurant sector in terms of brand recognition. With more than 13,000 stores worldwide it is a major player in the international pizza marketplace.

Starbucks Coffee is also in the Top 100 brands for recognition and with over 18,000 stores in 61 countries is the largest player in the café sector worldwide.

While our most recent acquisition, Carl's Jr has some way to go in the size and brand recognition stakes by comparison with our other brands, all the signs are there for substantial growth in the international marketplace. In fact this year for the first time, new store builds for Carl's Jr in international markets exceeded those in the US. Russel will give us a little more background on the Carl's Jr business.

We work hard in building relationships with our franchisors (and fellow franchisees) and I'm pleased to report that we have a particularly strong bond with CKE Restaurants Inc., the Carl's Jr franchisor.

Now let me briefly turn to the Group performance for last year before talking about why the Carl's Jr. investment was made. I'll also provide you with an update on the outlook for the current financial year which runs through to the end of February.

The excitement and challenges netted out financially for the Group to us achieving some outstanding results:

- Group store sales revenue increased slightly more than 1% for the year to around $312 million.
- KFC continues to be the major revenue stream for the group and achieved a new sales record of $237 million.
- Pizza Hut delivered a 5% increase in total sales on the back of a highly successful value campaign while operating a reduced number of company-owned stores across the network.
- The Group's same store sales, an important performance measure reflecting what is happening at the heart of the business unaffected by store number changes, were up 1.9%.

Russel will provide more detail on the divisional performances when he addresses you shortly.

Service is at the heart of our business. We need to ensure we recruit and retain good staff. We made a commitment this year to further enhance our people capabilities by centralising our recruitment facility. As a result of this investment we have seen an improvement in the quality of new staff employed and a reduction in store management time taken up in recruitment activity. This has enabled our managers to focus back on those activities in store that lead to a better customer service being offered to every customer with every order.

We also invested in an upgrade of the capacity and performance of our IT systems in order to ensure dependable and well-supported store systems are in place. This project has been completed on time and to budget.

These additional areas of cost took overall General & Administration (G&A) spending to 4.2% of sales, slightly above our long-term target of 4.0%.

Total store earnings before interest, tax, depreciation and amortisation (EBITDA) of $51.5 million was marginally up on the prior year's result. As we saw with group revenue the standout performance was from Pizza Hut. KFC once again was the largest contributor despite slightly reduced margins.

We saw reduced margins from Starbucks Coffee; however there was some improvement in the latter part of the year following a range of measures being put in place to drive sales and margin improvement.

Start-up costs for Carl's Jr. precluded any contribution to EBITDA for this brand.

Net Profit after Tax (excluding non-trading items) was $17.7 million (18.0 cents per share), a decline of around 4% over the previous year's result.

Non-trading items incurred included costs of store closures and disposals and insurance related items. We have now completed and been paid out on all insurance claims relating to the February 2011 Christchurch earthquake.

Bottom line or Net Profit after Tax attributable to shareholders was down 4.5% on last year's result.

Our business is a very cash focussed one with our revenue being earned through millions of relatively small value cash transactions. The strong performance from Pizza Hut and some positive working capital movements saw operating cash flows increase for the year by $5 million to $34.8 million.

We invested $19.8 million of this back into the business in the KFC store transformation programme and in the initial expenditure in the development of the first Carl's Jr. stores leaving $15 million in free cash flow for the year.

Your directors take a conservative approach to balance sheet management. While bank debt was up slightly to $14.6 million, we are utilising under half of our facility limits of $35 million and expect that to be the position for the foreseeable future. Gearing (as measured by net debt to net debt + equity) remains conservative at 19%.

Some $15.6 million was returned to you through dividend payments. Dividends were kept at the same level as was paid last year and you will be receiving your final dividend for the year of 9.5 cents per share today.

So with the 2013 financial year now behind us let me tell you more about Carl's Jr. our new hamburger-based restaurant offering.

It is your board's view that substantial incremental growth will come from the addition of new brands to the portfolio rather than from growth in the existing brands. Management regularly receive phone calls offering potential new brands; however very few of these ideas make it through Russel and Grant's screening. When management presented the Carl's Jr. case to us we could see that the brand would be a strong addition to the existing portfolio and was one that could generate substantial value for shareholders over time.

Spending in the quick service restaurant market in New Zealand is estimated to be more than $2 billion[1] annually and is growing at around 5% per annum. The beef burger segment is the largest at 32% of the branded QSR market. While the beef segment may be regarded as well-serviced we are firmly of the belief that there is room for a strong new brand to successfully enter the market. Your company will now be a significant participant in this segment with Carl's Jr.'s bringing, for the first time, a beef component to our menu.

SLIDE: PHOTO OF CJr STORE

As of today we have four Carl's Jr stores open and the results have been very satisfying. Several more stores will open in the next six months and we expect to have a limited but positive contribution to Group earnings in the results for the current financial year.

The Carl's Jr. team is growing within our organisation. Some of our team have moved from working with our other brands and we've recruited a number of new staff. It reminds us that

[1] Source: *Euromonitor Passport Report.*

Restaurant Brands is a team-based business – we have some of our teams here today. I would like to welcome them and thank them for their contribution. On behalf of the board, I would like to extend our thanks to all of our staff (and the teams they work in) for their contribution, commitment and continuing hard work.

You will be aware we share the New Zealand Carl's Jr market with another franchisee, Forsgren NZ Ltd, owned by Barry Forsgren, a very successful franchisee in American Samoa, and his partner Michael Jones. Forsgren have the rights to build up to eight stores in New Zealand (of which they currently have six) and we have the rest of the market. Working with smaller independent franchisees like Forsgren is very much one of our core competencies (with six independent KFC and 27 Pizza Hut franchisees already looked after by Restaurant Brands). As we see more independent franchisees with the sell down of more of our Pizza Hut stores we will continue to develop this competency. We of course receive an income stream for this in terms of a share of royalties, contributions to our advertising expenditure and service charges. Conversely independent franchisees benefit from access to Restaurant Brands' support and buying power leverage.

As I said at the beginning of my address, last year provided us with a challenging economic environment and the new year has not yet seen a significant improvement. Customers are still not opening their wallets in any meaningful manner and the competition for their dollar remains as intense as ever. As always, our results are primarily driven by sales growth in each of our brands.

Our first quarter sales were reported to the Stock Exchange in late May. As you will have seen we delivered total sales growth of 3.9% for the quarter. The trends we saw in the second half of the previous year have continued into the new financial year:

- KFC total and same store sales were largely steady against last year's
- Pizza Hut's same store sales continued to show excellent results
- Starbucks Coffee same store sales numbers were up
- And Carl's Jr. is performing well with new store openings and several sales campaigns proving very popular.

For the balance of the year we expect these sales trends to continue. These with the combined effect of the underlying strengths of the company's brands, maintenance of tight controls and efficiencies in our stores, together with some overall improvement in the economy will drive profit growth in the 2014 financial year to a reported result a little ahead of that achieved in the 2013 year.

I would like to conclude by thanking my colleagues on the Restaurant Brands board for their continuing support and dedication and ask Russel to address you on operational matters.

ENDS