Chief Executive's Address Annual Shareholders' Meeting 2013
28 June 2013

Thank you Ted

As you have seen, the focus of our annual report this year is on Carl's Jr..

The beginnings of Carl's Jr go back to 1941 when Carl and Margaret Karcher set up a hot dog stand in California. They borrowed against their Plymouth car, added in $15 in savings and started a business that has grown from this one hot dog stand to over 1,300 stores in the United States and in 17 international markets.

The Carl's Jr brand is owned by CKE Restaurants Inc in the US and is the sister brand to Hardee's, which also operates in the US and a number of international markets with over 1,900 stores.

Every successful quick service restaurant has a target market. Carl's Jr. specialises in offering delicious premium-quality burgers with a marketing proposition that targets youthful demographics. The restaurants offer some unique service attributes focusing on 'partial table service', with a 'made-to-order' menu and 'all-you-can-drink' beverage bars. The precise target market is "hungry young guys" and it is this slant that is reflected in the sometimes "edgy" Carl's Jr advertising.

After opening stores last year in Mangere and Palmerston North, Restaurant Brands has added stores in Queen St, Auckland and Frankton, Hamilton. By the end of the financial year in February 2014 we expect to have opened eight stores of which one will be a high profile addition at Auckland Airport.

Several of the stores have been open for sufficient time for us to see what their "steady state" trading patterns look like. After the initial peak for several weeks after opening we are seeing a strong positive contribution to Group store sales. Our most recently opened Frankton store delivered sales of over $173,000 in the opening week, which is the second best performance on store openings world-wide for Carl's Jr. The store continues to perform very well.

Moving on to our other brands …

KFC

KFC remains the largest contributor to the Group, at 76% of total store sales. While sales last year reached a new record of $237.0 million, to quote an overused "kiwism", it was a year of two halves. Ted referred to the challenges and there was no shortage with KFC. In the first six months we saw negative same store sales and moved to put a number of initiatives in place that drove improved performance in the second half. As a result the EBITDA margin improved to 19.5% in the second half from 18.7% in the first half on the back of sales promotions and better store performance. The second half outcome was close to our 6 year average EBITDA to sales ratio of 19.6%.

KFC product and promotional activity over the year included the very successful *$5 Lunch Box*, the *KFC Chicken Pie* and a new taste variant, *Sweet Sesame Chicken*. KFC also brought back the *Double Down* for a limited time.

We have regularly updated you on the KFC transformation programme. As of the end of the financial year we had reached the point where more than ¾ of all our stores had been refurbished. We invested in six more store transformations during the year and were delighted with the financial results as well as the positive feedback. Sales at these stores increased, on average, by over 15% based on a comparison of 10 weeks of sales before and after transformation.

During the year we acquired the previously independently managed KFC store in Cambridge. This leaves only eight KFC stores now outside Restaurant Brands' ownership.

We came into this new year with 21 legacy stores still to be upgraded. These stores generally have lower sales volumes and their transformation will have somewhat less of a positive incremental impact on our revenue than earlier stores. While continuing with these changes we have also been working on Transformation Generation 2. With excellent sales results from our pilot stores in Lower Hutt and Silverdale we're applying what we've learnt from these two trial stores to other new store builds. We expect to complete one more Generation 2 store at Auckland Airport in the coming 12 months.

Our plan for the current year is to maintain same store sales growth through operational excellence and new product development, leading to EBITDA as a percentage of sales sitting in the 19-20% range.

Pizza Hut

What a phenomenal and exciting year Pizza Hut had. The game changer was the value offering we introduced early in the 2013 financial year.

Overall we doubled the number of pizzas sold in the prior year with same store sales up a healthy 21.2%. Total sales climbed by over 5%, despite a 20% reduction in the number of stores we own.

With continued tight control on operating costs, the launch of a new website and supply chain initiatives to reduce input costs we achieved EBITDA margins that were more than 80% up on both prior year and target.

Our programme to sell lower volume stores and those in regional areas to independent franchisees has been very successful with the new owners being able to achieve better performance in their smaller local markets. We transferred 13 stores during the year, making a total of 26 successful sales with another six to eight stores likely to be sold in the coming year. This will take our directly owned stores from 57 to about 50 of the 83 Pizza Hut stores in New Zealand. This strategy is working well, reducing our exposure to the volatile pizza market, setting up efficient and profitable single store operators all while maintaining the brand's footprint within the New Zealand market.

We have also enhanced our online ordering capability with online orders now making up nearly 25% of our total sales, and climbing.

Our target for this year is to maintain same store sales growth, perhaps at a slightly more modest level by building on the current marketing programmes. Further consolidation of our store network and a continuing focus on cost reduction opportunities will help further build margin.

Starbucks Coffee

Starbucks Coffee had a year of rebuilding and consolidating the core business. Sales revenue was down about 5% for the year because of two main reasons.

Firstly six stores were closed – three at the end of their lease and three in Christchurch as a result of earthquake damage.

And secondly we recalibrated our menu prices leading to an effective price reduction mid-year. On average, we reduced our coffee prices by around 10%, while a customisation of drinks strategy was implemented, offering customers free additional espresso shots. It took some time for the benefits of this strategy to flow through, but same store sales and margins improved during the second half and that trend has been maintained in the first quarter of the new financial year.

We plan to close up to three more of the poorer performing stores as and when leases permit and two to three stores will be refurbished.

Ted has covered a number of financial performance indicators and these are set out in the annual report. As you know we report sales on a quarterly basis so there is plenty of material for you to read regarding our financial performance. I would however like to take this opportunity to tell you about the support we've been able to provide to Surf Life Saving New Zealand (SLSNZ) through an exciting new partnership with KFC. Surf Life Saving teams make it safe for New Zealanders to enjoy our beaches. With 73 clubs throughout the country and hundreds of volunteer guards we hear too often of their work when someone has needed their help at a beach. Through our sponsorship surf lifesaving clubs have the opportunity to work with their local KFC store. The store and club partner on local fundraising initiatives with the funds raised going directly to that club. On a local level it's an ideal opportunity for our staff to raise money and awareness for an organisation we all know and trust.

A nationwide KFC promotion based around the "Safe Surf" theme ran in the summer months to support the campaign. In addition to a $2 donation from every KFC *Surf Safe Variety Bucket Meal* sold, a water safety education campaign was run in store to support Surf Lifesaving NZ in preventing drowning and injury on our beaches. This campaign alone raised $116,000 for surf lifesaving with additional store based activities adding to this total.

We're delighted with the success of this partnership and encourage you to support it too when you have an opportunity to do so.

We have also, for a number of years, been part of the worldwide Yum! World Hunger Campaign, raising significant sums out of our KFC stores for attacking world hunger. In one year we raised over $165,000 for this very worthwhile cause.

We have put in place a range of programmes to support our communities in other ways too. We are rolling out company-wide a number of initiatives that will reduce our carbon footprint and maximise recycling opportunities.

The conservation of energy through good practise, technology and efficient building services is critical to Restaurant Brands. Since 2005 KFC has had an energy management system in place in most of its stores which continuously manages power usage. At times of high tariff or programmed time intervals the system sheds load by controlling air conditioning and electric hot water systems. Other initiatives include usage benchmarking by store, use of sensors to control exterior lighting, a progressive move to more efficient gas hot water heating, introduction of LED internal lighting and efficient building design (double glazing, energy-compliant air conditioning, insulation etc).

We also produce considerable amounts of food and paper waste and so we have in place programmes that enable us to buy food grade recycled materials, recycle or refurbish equipment and reduce the volume of material sent from our restaurants to landfills.At every Restaurant Brands outlet, cardboard, paper and packaging is sorted, compacted and collected each week for recycling. We estimate that approximately 80 percent of this material is recycled on a weekly basis.

All oil used by KFC, Pizza Hut and Carl’s Jr. stores is collected for recycling. 10% is used in the manufacture of bio diesel for the local market and 90% is exported to third world countries for the manufacture of soap. Grease traps are installed in our outlets to ensure oil does not enter the waste water system.

Starbucks recycles all its used coffee grounds by packaging them for customers to take home to use generally as garden compost. Furthermore Starbucks milk is supplied in pouches rather than bottles to reduce the amount of plastic used by these outlets.

We are also currently working on a project to remove plastic bag packaging from all our outlets in the long term.

We are indeed working hard at keeping our business “green”.

In concluding I would like to add to Ted’s thanks to our staff and the teams that they work in. Our staff are at the heart of our business. I try to get out and about to our restaurants whenever I can and in whichever part of the country I happen to be in – I am proud of what our staff do to support Restaurant Brands’ performance - and thank them for their hard work.

ENDS