RESTAURANT BRANDS Annual General Meeting

CHAIRMAN'S ADDRESS
28 June 2007

Fellow Shareholders, Ladies and Gentleman

Restaurant Brands is a truly New Zealand company with its 236 iconic KFC, Pizza Hut and Starbucks Coffee stores covering the entire country from Kaitaia to Invercargill. It is therefore very appropriate that the company rotates the location of its annual meetings between major centres.

Over twenty percent of our stores are located in the South Island and Christchurch is an important centre for our business with no less than twenty of our stores in this city. With Wellington being the venue in 2005 the selection of Christchurch for this year's meeting is timely.

Restaurant Brands' success has been based on its ability in its cafes and restaurants to capture the hearts and minds of hundreds of thousands of New Zealanders - New Zealanders from every walk of life and from every part of the country. This has not happened by chance, but has been built up over more than thirty years of customer service. The passion our employees or "partners" display for our brands is the single biggest factor in KFC's, Pizza Hut's and Starbucks' future. Through their hard work and dedication Restaurant Brands is able to serve 434,000 customers a week, creating shareholder wealth and providing employment for 5,500 New Zealanders.

This is my first annual meeting as chairman following the retirement of Bill Falconer last year. I would like to acknowledge Bill's dedication and efforts as Chairman of Restaurant Brands and wish him well in the pursuit of his professional and personal interests.

It is also appropriate to acknowledge the contribution made by Vicki Salmon as director and Chief Executive prior to her resignation earlier this year. Russel Creedy has stepped into the acting Chief Executive role whilst we complete the search for a candidate for the position.

There is, of course, another reason why Christchurch is an appropriate venue for the annual meeting: it is the home of Sue Suckling, who was appointed a director last June and who seeks re-election today. Her appointment reflects Restaurant Brands' commitment to maintain a strong directorate whose skills and attributes I will outline later.

For now, though, I want to take you through the performance of the past financial year and offer a pointer to where the company is heading in 2007/08. Because we have yet to appoint a permanent CEO, mine will be the only address at this annual meeting, but there will be adequate time afterwards for your questions. Alternatively feel free during the lunch following the formal part of the meeting to raise any issues with me, my fellow directors or the senior management team.

Performance
The year under review has been the most challenging in the company's history, largely because of the poor performance of Pizza Hut New Zealand and the longer-than-expected effort to quit Pizza Hut Victoria outlets.

As you will see from the annual report, Pizza Hut New Zealand's store earnings before tax, interest, depreciation and amortisation (EBITDA) were more than halved as a result of reduced sales and higher input costs.

We also had to absorb additional costs and write-downs associated with exiting Pizza Hut Victoria. This had the effect of reducing group net trading profit after tax by 47% to $6.5 million, resulting in a bottom-line after-tax loss of $3.6 million.

In addition to the problems experienced with Pizza Hut on both sides of the Tasman, inflationary wage rate pressures and facility costs have squeezed margins across all businesses.

Yet such a result, disappointing as it is to directors, management, and no doubt shareholders, masks the underlying strength of our brands, not least the spectacular performance of KFC where sales were a record $182.7 million — up more than 7% on a same-store basis. Starbucks Coffee, the smallest of our brands, also achieved record sales, up 3.2% on a same-store basis to $31.3 million.

Our KFC operation, one of the best-performing KFC franchises in the world accounted for 63% of group sales and will continue to be our brand leader for the foreseeable future. This underscores the company's decision late last year to renew the KFC franchise for a further 10 years, which for half of the stores, was nine months ahead of schedule. The balance of the eligible KFC stores are in the process of being renewed on similar terms. As part of this agreement, we also secured an option to take a further 10+10-year franchise on our KFC transformed stores.

We are in the brand business and I want to assure you that the directors and management will do everything within their power to make the brands perform to their optimum.

Special attention is being paid to Pizza Hut, which until 2006/07, accounted for more than a quarter of Restaurant Brands' store EBITDA. The Pizza Hut business had, until last year, enjoyed substantial growth with annual sales increasing by over $40 million and store earnings tripling in the years between 2000 and 2006. A combination of a tapering off in market growth, an increase in competitor store numbers and (to be blunt) sub-optimal execution on our part, all contributed to the drop in sales and earnings in the 2006/7 year.

A number of initiatives are in place to urgently address the decline in the business, including some facility rationalisation. In particular we will be closing our less profitable red roof restaurants, which have, in fact, been progressively reduced in number from a high of 35 ten years ago to only 15 today. Over the next three years Pizza Hut will steadily exit these remaining dine-in outlets and concentrate on its more profitable takeaway and home-delivery operations. The intention is to consolidate this business after a period of substantial growth so that it can remain a highly visible part of the New Zealand retail food industry. I will discuss our plans in more detail later on.

Directors and management have worked hard in the past year to reduce costs and identify savings. A considerable proportion of this effort has been directed at the support centre (head office). With the office relocation in late 2006 to a single floor plate and open plan environment, the opportunity was taken to improve efficiencies and streamline operations behind the scenes with some substantial cost reductions.

In our restaurants, on the other hand, there has been significant investment in facilities and partner (staff) training to improve the customer experience and to promote internal efficiencies.

The combination of reduction in head office overheads, improved facilities and levels of partner training, together with in store operational efficiencies has already started to produce improved sales and margins in the new financial year.

Dividend
A consequence of the poor performance in 2006/07 and the significant capital expenditure commitment to the KFC transformation programme was a reduction in the final dividend to a fully imputed 3c a share, bringing the total dividend for the year to 5.5c a share. This decision was not taken lightly but the directors, some of whom are also shareholders I might add, felt it was the prudent course and a pointer to their commitment to get the company back on track.

Takeover interest
During the past year the company was approached by several parties interested in potentially acquiring Restaurant Brands. As with any of this activity, management spent considerable time and effort over several months which could have been more productively spent on managing the business. In the event none of this activity eventuated in a formal offer being made.

The board will keep shareholders apprised if there is any further activity in this regard. But rest assured, our primary focus in 2007/08 and beyond is to urgently lift company earnings and shareholder wealth. We can talk the talk of underlying strength and market penetration but the ultimate measure of Restaurant Brands' success is its returns to shareholders though dividends and a rising share price. Right now, at around 88c, it is, in the view of the directors, unacceptable.

I now want to outline the steps the company is taking in 2007/08 to restore profitability and lay the platform for future growth:

KFC
In the year under review, 11 of KFC's 87 stores were transformed, bringing the total transformed store numbers to 21. Two more have been upgraded since balance date, 28 February 2007, and a further six are scheduled for completion in 2007/08 — part of the company's $35 million commitment to underwrite growth of the brand.

On the screen you can see examples of our future — two Christchurch KFC outlets that have had the full makeover, Riccarton Road and Shirley. There will be many more.

Indications since balance date suggest the store-transformation programme is continuing to contribute to stronger sales and improved margins and, we look with confidence to a strong performance in 2007/08. Certainly, the store revamp is having a halo effect on adjacent stores with growth right across the network.

KFC first-quarter sales for 2007/08, accounting for nearly two-thirds of total company revenues, rose 9.6% on the previous year, or by some $4 million, to $45.5 million. On a same-store basis the increase was even greater — 10.6%.

With long-term agreements in place with the franchisor, Yum we can invest with certainty and are in an excellent position to further strengthen KFC's market share in New Zealand.

Pizza Hut New Zealand
This highly competitive pizza sector is hurting many players, not just Pizza Hut, but the brand is too important to let slip and the company is undertaking several operational and marketing initiatives to arrest sales and profit decline.

Operationally, the completion of the roll out of our new point-of-sale computer system is assisting with improved in-store controls over inventory and labour, together with providing a more user-friendly interface to our partners and customers. The more comprehensive data provided by this system is also proving useful in providing more analysis and insight into the Pizza Hut operation as a whole.

A number of waste reduction and labour efficiency programmes are being rolled out over the Pizza Hut network that are assisting in margin enhancement.

On the marketing side new product innovation has helped drive sales already, with more to come. The most recent product release, *Cheesy Bites* pizza, has proved very successful and some samples will be provided for you to try after the meeting. Earlier in the year two side dishes; *Chicken Chompers* and *BBQ Spare Ribs* proved very popular with over 11 tonnes of the latter being sold during the promotion.

Menu rationalisation, price simplification and a completely revamped marketing programme are also playing a part in turning this business around.

As previously stated, the progressive closure of the remaining "red roof" dine-in restaurants will allow Pizza Hut to concentrate on its takeaway and home-delivery business which, despite the poor performance in 2006/07, is substantial. We anticipate that we will have closed six of these stores by year end, bringing total red roof numbers down to nine.

Directors and management are committed to growing the brand and in the year under review we opened a new store in Hobson Street, Auckland, which, after some "red roof" closures, left Restaurant Brands with 103 stores nationwide.

Pizza Hut Victoria
Our decision to exit this business, announced in April 2006, was the right one but the process proved much slower than anticipated and non-trading costs and write downs impacted heavily on 2006/07 earnings.

I am pleased to report that the process is largely complete — there are just 13 stores remaining of the original 50, 9 of which are subject to sale-and-purchase agreements, three have no agreements yet in place and one will be closed at lease end. No further losses are expected to be incurred in the current financial year in either ongoing trading losses or net disposal costs.

Starbucks Coffee
Starbucks Coffee is a small player in Restaurant Brands' portfolio but one of the world's leading brands. Last year it was ranked as the 2nd fastest growing brand in the world (just behind *Google*) and this is reflected in its world-wide store growth with six new stores opening every day. Starbucks Coffee has been a solid performer since its arrival in New

Zealand — to the surprise, I might add, of some commentators who predicted that the branded coffee franchise would not take hold in New Zealand.

We operate 46 stores nationwide and expect the business to continue to grow. In the year under review we opened three stores — at Symonds Street and Sylvia Park in Auckland and Chartwell in Hamilton and continue investigating opportunities for expansion in 2007/08.

Most heartening in the first quarter of 2007/08 was the 7.9% sales growth to $7.6 million compared with the previous year.

This was the 14th consecutive quarter of sales growth and a reflection of our faith in the brand and the success of our marketing. Despite the good sales performance we are not happy with the reduction in margins largely due to increased labour and facilities costs and have steps underway to arrest the decline.

Governance

I touched earlier on the strength of our board. Good governance to us is not simply a lofty objective to make reference to in the annual report; it is part of Restaurant Brands' culture.

But for good governance to be meaningful it has to be accompanied by first-class performance. It is the primary duty of directors and management to enhance shareholder wealth.

I am confident that the current board has the skills to deliver good governance and first-class performance.

As I mentioned earlier, our newest director, Sue Suckling, who filled a casual vacancy last year and is seeking re-election as a director, is typical of the talent at board level. She is not only a professional company director of 20 years' standing but also a member of the Takeovers Panel. She sits on the board's audit and remuneration committees.

Her fellow directors share similar talents:
- Shawn Beck is an experienced company director and investor;
- Danny Diab is an Australian-based owner and operator of Pizza Hut restaurants in Sydney with more than 20 years' experience in the pizza industry; and
- David Pilkington, who is also seeking re-election to the board, is a professional company director who is the former managing director of New Zealand Milk Ltd.

The directors complement my own background as a professional company director and a former managing director (retired) of supermarket operator Progressive Enterprises Ltd.

Accounting policies

As noted, the 2006/07 annual report was the first prepared under the International Financial Reporting Standards. The main changes are that the company no longer amortises goodwill, which is now subject to an annual impairment test.

Outlook

Despite the challenge presented by Pizza Hut, the directors remain upbeat about the future of the company and confident it will produce an improved result for 2007/08. Net after tax profit (excluding non trading items) is currently forecast to be in the vicinity of $9 to $10 million, compared with $6.5 million in the 2006/7 year.

Non trading items, largely non cash write offs associated with KFC store transformations and Pizza Hut facility rationalisation will be in the vicinity of $2 million after tax.

We expect KFC will continue to deliver solid sales and margin growth consistent with the past year. We also expect Pizza Hut to gradually recover sales and margin, though this will take longer than the current year to achieve. The progressive closure of the remaining "red roof" stores will help.

We also expect to have completed our exit from the Australian business by year end. The financial impact of this has already been recognised in last year's accounts.

Starbucks Coffee will continue to grow in sales and margin in the current year.

Overall, shareholders can expect a significant improvement in operational performance in 2007/08. Restaurant Brands is a New Zealand company that has in the past paid consistently high dividends to its shareholders and it is our intention to restore our ability to reward shareholders in this way for their loyalty to the company.

I mentioned at the outset that this was my first Annual Meeting as Chairman. It has been a difficult period but given the tough steps we have taken over the last 12 months, I am determined and I know I speak on behalf of all my fellow directors to ensure that next year when I stand before you I can speak more positively on what will have been achieved.

Thank you for your support and loyalty to Restaurant Brands.

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