

**19 September 2006**  
**News release**

### **Restaurant Brands Second Quarter Sales**

Restaurant Brands today announced total sales for the second quarter ended 11 September 2006 (16 weeks) of \$97.7million, down 0.5% on the equivalent period last year. New Zealand operations produced sales of \$88.5 million, down 0.9% on prior year. Sales in Australia were up \$0.3 million on prior year, largely due to movements in the exchange rate.

Chief executive Vicki Salmon said continued strong growth in KFC and Starbucks Coffee was offset by a decline in sales from the Pizza Hut business. Same store sales for the group were down 2.7% for the quarter.

“The extensive brand transformation currently underway across KFC continues to deliver sales improvement and Starbucks Coffee is a consistent performer. However, as notified to the market on the 30<sup>th</sup> of August, tightening economic conditions and increasing competition has affected sales at Pizza Hut. We are committed to improving this situation and have implemented a number of new initiatives.

“A highlight from the quarter was the early renewal of the KFC franchise agreement to 2016, which gives us the certainty needed to concentrate on the next stage of the KFC Transformation project,” concluded Salmon.

#### **KFC**

Continuing effective in-store operations, a strong marketing calendar and the impact of store asset transformation produced total KFC sales of \$54.4 million, up 4.6% for the quarter on both a total sales and same store basis. This is now the fifth consecutive quarter of positive same store sales growth for the brand, which represents 56% of total Restaurant Brands' sales. “It is pleasing to note that despite the tightening economic environment and the impact of store closures while undergoing transformation, KFC is still delivering solid sales growth,” said Salmon.

A total of sixteen stores have been transformed to date, seven since the end of the first quarter including : Frankton, Mangere East, Hamilton East, Motueka, Balmoral, Mangere

Central, Taihape, New Lynn, Kaikohe, Dunedin South, Matamata, Pakuranga, Ponsonby, Riccarton Road, Timaru and Northmall.

Two stores closed during the quarter in Mt Roskill and Orewa, at lease end, bringing total store numbers to 86. The company is on target to complete a further six transformations by the end of the financial year and open one new store at Horsham Downs, Hamilton.

KFC year to date sales totaled \$95.8 million, up 5.6% on prior year and 5.1% on a same store basis.

### **Pizza Hut New Zealand**

Continuing difficult trading conditions, competitive pressures and unusually strong prior year comparisons impacted the Pizza Hut business in New Zealand. The company's sales, which account for 26% of Restaurant Brands' total, were 14.7% down on the prior year at \$24.9 million and 16.5% on a same store basis.

On a year to date basis, sales totaled \$44.1 million, down 11.5% on prior year and 14.1% on a same store basis.

"A number of initiatives are under way to address the sales shortfall," said Salmon. "These include an increased focus on costs and improving in-store operations. Our marketing programme is also becoming more targeted and we have recently completed a management restructure."

Store numbers reduced by one over the quarter to 105 with the closure of two red roof restaurants at lease end and the opening of a new delco in Hobson Street, Auckland.

### **Starbucks Coffee**

The Starbucks Coffee business produced its eleventh quarter of solid growth with sales of \$9.2 million, up 13.1% on prior year. Same store growth was 2.5%. Starbucks Coffee sales represent 9% of Restaurant Brands' sales.

Year to date growth was 13.3% with total sales of \$16.3 million. Sales were up 2.5% on a same store basis.

“Starbucks Coffee continues to be a consistent performer,” said Salmon.

Store numbers were up to 45 with the opening of a new kiosk in Sylvia Park, Auckland.

### **Pizza Hut Victoria**

Progress was made during the quarter on the disposal of the Australian assets with agreements on the sale of 20 stores currently being finalised.

Trading conditions continue to be challenging as the company proceeds with its exit strategy. Total sales for the quarter were \$A7.7 million, 5.1% down on prior year and down 4.1% on a same store basis.

However, due to the favourable exchange rate, reported sales were up 3.9% on prior year to \$NZ9.2 million.

### **Management changes**

Simon Lipscombe has been appointed general manager Pizza Hut New Zealand. For the past three years, Simon has been KFC operations manager and in this role has been an integral part of the team that has successfully transformed the KFC brand into delivering consecutive quarterly sales growth and strong operational performance. Prior to that, he held advancing positions within Restaurant Brands across both KFC and Pizza Hut.

Russell Creedy has resumed his full-time role as General Manager of Commercial Services where he will bring a renewed focus on supply chain management and cost controls. For the past five years he has held this role in addition to General Manager Pizza Hut New Zealand, and was responsible for negotiating the supplier contract with Inghams which resulted in significant savings for the company. Russell will continue to focus on cost control for the company, renegotiating supplier contracts and store development.

-ENDS-

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A copy of the full statement is available on [www.nzx.com](http://www.nzx.com)