

29 May 2007

NZX

RESTAURANT BRANDS FIRST QUARTER SALES

Restaurant Brands total sales across the company's three brands for the first quarter (12 weeks ended 21 May 2007) were \$70.5 million, an increase of 4.1% on the equivalent period last year. Same store sales increased 4.4%.

The higher sales were primarily from continued strong growth in the KFC business, which was up 9.6% on prior year as the brand continued to see the benefits of its transformation process. Starbucks Coffee continued its steady growth, up 7.9% on prior year. The Pizza Hut operation continued to under-perform, although with some signs of improvement.

(Sales results do not include Pizza Hut Victoria which has been classified as a discontinued operation).

KFC

The KFC business delivered another quarter of strong sales growth. The company's biggest brand, contributing 65% of total revenues, produced a sales increase of \$4.0 million for the quarter to a total of \$45.5 million.

This result is 9.6% up on the prior year and 10.6% on a same store sales basis. The outcome is particularly pleasing, given the fact that three stores (Papatoetoe, Kent Terrace and Kilbirnie) were closed for part of the quarter for extensive refurbishment, as part of the transformation process.

The revamp of stores continues to have a halo effect on adjacent stores with growth right across the network.

Continuing improvements in operating standards, together with some successful promotional activity such as *BBQ Chicken*, *Boneless Chicken* and *Wicked Wings*, along with the continuing benefits of an increasing number of major store transformations, all contributed to this result.

Store numbers remained at 87. To date, a total of 23 new or upgraded stores have been completed.

Pizza Hut New Zealand

Total sales for Pizza Hut New Zealand during the first quarter were \$17.4 million, a decrease of 9.1% over the prior period, with same store sales declining 8.0%.

The business continues to implement significant operational changes as part of the strategy to return to profitable growth in a very competitive market.

The quarter saw the introduction of new product initiatives such as *Chicken Chompers* and *BBQ Spare Ribs* both of which were well received by customers.

Store numbers remained at 103 at the end of the quarter of which 15 are red roof restaurants. Six of these will be closed by the end of the year as part of the previously announced rationalisation of the restaurant network.

Starbucks Coffee

Starbucks delivered the fourteenth consecutive quarter of sales growth, increasing 7.9% on the prior year to \$7.6 million. Same store growth was 2.0%.

Store numbers fell by one to 46 with the closure of a central Auckland store pending its relocation to a higher profile site later this year.

Discontinued Operations

The Pizza Hut Victoria operation continues to be wound down as the company sells stores to individual owners. At the end of the quarter, there remained 17 stores from the original 50. Of these remaining stores, 12 are subject to sale & purchase agreements. These stores are expected to be transferred to the new owners in the next six months. Settlement of stores remains a slow process due to a number of factors including finalising complex lease and franchise transfer arrangements and training requirements for new franchisees.

During the quarter, total sales for this business were \$A2.4 million, decreasing 64% on prior year as stores are exited.

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RESTAURANT BRANDS NEW ZEALAND LIMITED

Quarterly Sales Report

Summary of Results for the 1st Quarter (Q1)

(for the 12 weeks 27/2/2007 to 21/5/2007)

<u>Q1 2007/8 vs Q1 2006/7</u>	Q1 2007/8 (\$000's)	Q1 2006/7 (\$000's)	% change
Total Store Sales - KFC	45,462	41,471	9.6%
Total Store Sales - Pizza Hut NZ	17,435	19,181	-9.1%
Total Store Sales - Starbucks	7,572	7,020	7.9%
Total NZ Concepts	70,469	67,672	4.1%
Same Store Sales - KFC	44,330	40,070	10.6%
Same Store Sales - Pizza Hut NZ	17,195	18,681	-8.0%
Same Store Sales - Starbucks	7,088	6,946	2.0%
Total NZ Concepts	68,613	65,697	4.4%
<u>YTD 2006/7 vs YTD 2005/6</u>			
Total Store Sales - KFC	45,462	41,471	9.6%
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<u>NUMBER OF STORES OPEN AT QUARTER END</u>			
Qtr End no of Stores - KFC	87	88	-1
Qtr End no of Stores - Pizza Hut	103	106	-3
Qtr End no of Stores - Starbucks	46	44	2
Total Stores - NZ Concepts	236	238	-2