

18 September 2007

NZX

RESTAURANT BRANDS SECOND QUARTER SALES

Restaurant Brands' total sales across its three New Zealand businesses for the second quarter (16 weeks ended 10 September 2007) were \$93.6 million, an increase of 5.8% on the equivalent period last year. Same store sales increased 5.0%.

The higher sales continued to be driven by solid growth in the KFC business, which was up 11.7% on prior year as the brand continued to build on the momentum of its transformation process. Starbucks Coffee was up a steady 6.7% on prior year. The Pizza Hut operation began to improve but still produced an overall sales decline of 7.5%.

On a year to date basis total sales at \$164.1 million were up 5.1% on the first half of last year and showed an overall 4.7% same store growth.

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

KFC

The KFC business delivered yet another strong result with total sales up \$6.3 million (11.7%) to \$60.7 million for the quarter. With the Kilbirnie and Hornby stores closed or partially closed over the period for major refurbishment, this level of sales growth is very satisfactory.

KFC is now into its third consecutive year of quarter on quarter sales growth, underlining the growing strength of the brand and the continued sustainability of the store transformation process.

On a same store basis KFC sales were up 9.3% for the quarter.

Year to date KFC sales increased \$10.3 million on prior year to a new high of \$106.2 million, up 10.8% in total and 9.9% on a same store basis.

A full marketing calendar together with successful promotional activity such as *Hot & Spicy Boneless*, *Mashies*, *Lunchbox* and the revamped *Ultimate Quarter Pack*, together 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 24 new or upgraded stores have been completed.

Pizza Hut New Zealand

Total sales for Pizza Hut New Zealand during the second quarter were \$23.1 million, a decrease of 7.5% over the prior period; with same store sales declining 4.0%. This represents a substantial improvement on the 8.0% decline in same store sales in the first quarter of the year, but this business is not expected to generate positive same store sales growth until the end of the financial year.

Year to date, Pizza Hut sales totaled \$40.5 million, down 8.2% on prior year and 5.7% on a same store basis.

A new marketing campaign, pricing simplification and new product releases such as the introduction of the popular *Cheesy Bites Pizza*, together with an increased focus on in-store operating performance have all helped arrest this sales decline.

Store numbers reduced to 100 at the end of the quarter (of which 12 are red roof restaurants) with the closure of the Northcote, Papakura and Palmerston North red roof stores. Two more red roofs 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 fifteenth consecutive quarter of sales growth, increasing 6.7% on the prior year to \$9.9 million. Same store growth was 2.8%.

For the half year, Starbucks sales increased by \$1.2 million (7.2%) to \$17.4 million. On a same store basis sales were up 2.5% for the half.

Store numbers remained at 46 compared to 45 at the same period last year.

Discontinued Operations

The progressive withdrawal from the Pizza Hut Victoria investment continued with six more stores being sold to individual owners. At quarter end, there remained 11 stores from the original 50, down from 17 at the end of the first quarter. Of these remaining stores, one has subsequently settled, with four being subject to sale & purchase agreements and expected to be transferred to the new owners in the next few 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 \$A2.0 million, decreasing 74% on prior year with store disposals. Year- to- date sales totalled \$A4.1 million, down 69%.

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RESTAURANT BRANDS NEW ZEALAND LIMITED

Quarterly Sales Report

Summary of Results for the 2nd Quarter (Q2)

(for the 16 weeks 22/5/2007 to 10/9/2007)

<u>Q2 2007/8 vs Q2 2006/7</u>	Q2 2007/8 (\$000's)	Q2 2006/7 (\$000's)	% change
Total Store Sales - KFC	60,713	54,366	11.7%
Total Store Sales - Pizza Hut NZ	23,072	24,943	-7.5%
Total Store Sales - Starbucks	9,853	9,236	6.7%
Total NZ Concepts	93,638	88,545	5.8%
Same Store Sales - KFC	58,345	53,359	9.3%
Same Store Sales - Pizza Hut NZ	22,859	23,814	-4.0%
Same Store Sales - Starbucks	9,379	9,122	2.8%
Total NZ Concepts	90,583	86,295	5.0%
<u>YTD 2007/8 vs YTD 2006/7</u>			
Total Store Sales - KFC	106,175	95,837	10.8%
Total Store Sales - Pizza Hut	40,507	44,124	-8.2%
Total Store Sales - Starbucks	17,425	16,256	7.2%
Total NZ Concepts	164,107	156,217	5.1%
Same Store Sales - KFC	102,674	93,434	9.9%
Same Store Sales - Pizza Hut	40,054	42,494	-5.7%
Same Store Sales - Starbucks	16,467	16,069	2.5%
Total NZ Concepts	159,195	151,997	4.7%
<u>NUMBER OF STORES OPEN AT QUARTER END</u>			
Qtr End no of Stores - KFC	87	87	0
Qtr End no of Stores - Pizza Hut	100	105	-5
Qtr End no of Stores - Starbucks	46	45	1
Total Stores - NZ Concepts	233	237	-4