

17 September 2008

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RESTAURANT BRANDS SECOND QUARTER SALES

Restaurant Brands total sales across the company's three brands for the second quarter (16 weeks ended 8th September 2008) were \$92.4 million, a decrease of 1.3% on the equivalent period last year. However, the quarter's same store sales increased 1.2%

Year to date total sales were \$162.3m, 1.1% down on the prior year across the three brands, with year to date same store sales improving 0.9% on the prior year.

Total sales for the quarter grew in the KFC business by 4.4% over the prior year, as the benefits of the continuing investment in store transformation, consistent marketing message and menu development produced continued strong growth. This was a particularly satisfactory result in the face of tighter economic conditions, rising consumer prices and reported general downturn in retail sales.

Starbucks Coffee quarterly sales declined by 2.2% against prior year, due to a reduced number of stores as some poorer performing stores have been closed – the store count was down two on the prior year. On a same store basis, sales for the quarter increased by 2.6%.

Pizza Hut continues to be of some concern, with total quarterly sales declining by 15.9%, although the quarterly same store decline was 11.1%. The total number of stores has reduced by six on prior year as part of the progressive programme to close red roof restaurants.

KFC

The KFC business delivered another quarter of solid sales growth. The company's biggest brand, contributing two thirds of total sales, produced a sales increase of \$2.7 million for the quarter to a total of \$63.4 million.

This result is 4.4% up on the prior year and 5.5% on a same store sales basis. This quarter's result rolls over 9.3% same store growth in the prior year quarter as the brand continues to produce consistent strong sales growth.

Three stores were closed for part of the quarter for extensive transformation. KFC Takapuna and KFC Te Atatu were completed, with KFC Panmure scheduled to reopen by the end of the month. At the end of the quarter, a total of 33 stores had been transformed of the 87 stores in the network. Growth also continues strongly in non-transformed stores with the solid positive perception of the brand.

Whilst the continuing investment in store transformation is the key driver in the brand's strong growth, a focus on operational standards, additions to the permanent menu, such as *Original Recipe Fillets* and *Wicked Wings*, as well as successful promotional activity, such as *Hot Rods*, *Favourites Bowl* and *Wrapstar*, all contributed to the result.

For the year to date, sales of \$110.4m are up 4.0% on prior year, with a YTD improvement of 4.0% on a same store basis.

Store numbers remained stable at 87, with KFC Panmure currently undergoing refurbishment works and scheduled to open by the end of September 2008.

Pizza Hut New Zealand

Total sales for Pizza Hut New Zealand during the second quarter were \$19.4 million, a decrease of 15.9% over the prior period, with same store sales declining 11.1%.

For the year to date, total sales of \$34.6m are down 14.7% on prior year with both lower sales in delcos and the impact of lower store numbers as part of the progressive red roof restaurant closure programme. The same store sales decline was 9.4%.

Sales for the brand remain of some concern and, as a result, there have been recent significant changes to the menu, marketing strategies and advertising agencies. A new marketing campaign recognises the importance of a strong value message to customers. The revival of the extra large 14 inch *Jumbo* pizza, initially in Auckland and a more recent national rollout, has provided a point of genuine difference from competitors.

Store numbers at 94, are down two stores on the prior quarter from the closure of a poorly performing delivery store in Mangere, and closing the Tauranga dine-in restaurant. This number is down six stores on the prior year.

The programme to progressively close dine-in restaurants continues as leases expire or the opportunity to exit a store arises.

Starbucks Coffee

Whilst total store sales did not grow with \$9.6m of sales, down 2.2% on the prior year, the same store result was ahead of prior year by 2.6%.

For the year to date, total sales of \$17.3m are down 0.6% on prior year, but show a 4.4% improvement on a same store basis.

Store numbers remained stable at 44 for the quarter but were two down on the prior year.

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RESTAURANT BRANDS NEW ZEALAND LIMITED**Quarterly Sales Report****Summary of Results for the 2nd Quarter (Q2)****(for the 16 weeks 20/5/2008 to 8/9/2008)**

	Q2 2008/9 (\$000's)	Q2 2007/8 (\$000's)	% change
<u>Q2 2008/9 vs Q2 2007/08</u>			
Total Store Sales - KFC	63,371	60,713	4.4%
Total Store Sales - Pizza Hut NZ	19,407	23,072	-15.9%
Total Store Sales - Starbucks	9,640	9,853	-2.2%
Total NZ Concepts	92,418	93,638	-1.3%
Same Store Sales - KFC	63,016	59,734	5.5%
Same Store Sales - Pizza Hut NZ	19,231	21,641	-11.1%
Same Store Sales - Starbucks	9,410	9,169	2.6%
Total NZ Concepts	91,657	90,544	1.2%
<u>YTD 2008/09 vs YTD 2007/08</u>			
Total Store Sales - KFC	110,375	106,175	4.0%
Total Store Sales - Pizza Hut	34,570	40,507	-14.7%
Total Store Sales - Starbucks	17,317	17,425	-0.6%
Total NZ Concepts	162,262	164,107	-1.1%
Same Store Sales - KFC	109,130	104,917	4.0%
Same Store Sales - Pizza Hut	34,337	37,901	-9.4%
Same Store Sales - Starbucks	16,836	16,128	4.4%
Total NZ Concepts	160,303	158,946	0.9%
<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	94	100	-6
Qtr End no of Stores - Starbucks	44	46	-2
Total Stores - NZ Concepts	225	233	-8