Restaurant BRANDS NEW ZEALAND LTD.

Directors' Report to Shareholders
For the Half Year ended 8 September 2008

Key Points

- Net Profit after Tax for the half year (excluding non trading items) was $4.6 million (14.7% down on prior year). Reported profit (including non trading items) was $2.4 million, down 47.3% on prior year.

- Total revenues of $162.5 million were 1.1% down on prior year, but same store sales were up 0.9% for the half, with KFC continuing to be the growth driver.

- Non-trading items of $3.2 million largely comprised an impairment charge of $2.5 million to the carrying value of goodwill on the Pizza Hut New Zealand business.

- Margins were impacted by continuing pressures on input costs with all three brands producing lower contributions than prior year.

- Directors have declared a fully imputed interim dividend of 3.0 cents per ordinary share payable on 21 November 2008, the same level as last year.

Group Operating Results

Restaurant Brands' unaudited net profit after tax (excluding non-trading items) for the half year ended 8 September 2008 was $4.6 million, 14.7% down on prior year. Reported profit was $2.4 million, down 47.3% on prior year.

The reduction in reported profit largely arose from the taking up of an impairment charge to the carrying value of goodwill on the Pizza Hut New Zealand business of $2.5 million in the half year.

All three brands suffered some margin decline against prior year, with continuing pressures on input costs, although this was mitigated somewhat by continuing tight controls in both store operations and G&A overheads.

Total operating revenue at $162.5 million was 1.1% down on prior year, with a 4.0% improvement in KFC sales offset by a $5.9 million or 14.7% reduction in Pizza Hut revenues. Same store sales, however, continued to grow at 0.9% for the half.

Whilst the overall result is below prior year, directors are satisfied that this is an acceptable outcome in a tough retail environment with continuing inflationary pressures on input costs.

KFC Operations

KFC sales continue to grow strongly on the back of its continuing transformation programme, with revenues of $110.4 million, up 4.0% on prior year on both a total and same store sales basis. A strong pipeline of new product and promotional activity, including *Original Recipe Fillets, Wicked Wings, Hot Rods, Favourites Bowl, Wrapstar* and *Summer Classic Burger*, combined with improved facilities and enhanced customer service levels to produce another record sales result for the half year.

Despite the strong sales levels for KFC, the profit flow through was adversely impacted by higher input costs with substantial increases in chicken, other ingredients and labour, together with high levels of advertising spend. Store closures during transformation also adversely impacted margins to some extent.

KFC's EBITDA at $18.6 million (16.8% of sales) was $0.6 million (3.2%) down on prior year.

Three stores were transformed over the half year, being Takapuna, Te Atatu and Fairy Springs (Rotorua). The Panmure store was closed for transformation during the half, reopening early in the third quarter.

A total of 33 stores have now been transformed of the 87 stores in the network, with the impact of the facility transformation continuing to positively benefit sales in non-transformed stores.

KFC store numbers remain constant on prior year at 87.

Pizza Hut New Zealand

A shrinking pizza market, together with continued aggressive competitor activity, meant that Pizza Hut sales continued to decline. The brand produced sales of $34.6 million for the half, which were down 9.4% on a same store sales basis, and 14.7% in total.

Store numbers were six down on prior year to a total of 94, with three stores closing over the half, being red roofs in Invercargill and Tauranga (as part of the red roof closure strategy) and a non-performing delco in Mangere East, Auckland.

A number of new marketing initiatives were introduced over the period under review, including major menu upgrades, new product releases and a change of media and advertising agencies. The brand is currently embarking on a new marketing campaign which recognizes the importance of the value message to its customers, and a revival of the extra large 14" *Jumbo* pizza has assisted in providing a point of genuine differentiation from competitors.

The intensely competitive nature of the pizza market has limited opportunities to recover input price increases, particularly in ingredient costs. The business has been run very tightly, with strong operational controls over wastage and labour, which has helped limit the adverse profit flow through impact of the sales decline. The resulting EBITDA of $1.3 million for the half was $1.1 million or 47.2% down on prior year.

There is continuing evidence that Pizza Hut's competitors are also struggling with their profitability. Somewhat cushioned by the strong earnings of the KFC business, Pizza Hut will continue to compete aggressively in this very competitive environment. In the meanwhile, directors continue discussions with the franchisor on alternative operating and ownership options for the brand.

Pizza Hut finished the half with 94 stores, of which eight were red roof restaurants.

Starbucks Coffee

A net reduction of two stores on the prior year meant that the Starbucks Coffee business was unable to sustain its record of total sales growth for the half year. The Starbucks brand produced sales of $17.3 million, down marginally on the $17.4 million achieved in the prior year.

Same store sales growth, however, continued for the Starbucks brand at 4.4%, a pleasing result in the current economic environment.

The Starbucks business also struggled with increased costs, with both ingredients (food and milk) and higher labour costs impacting adversely on store margins.

Starbucks EBITDA of $1.7million for the year was 21% or $0.4 million down on the same period last year.

Store numbers at 44 did not change over the half.

Corporate & Other

General and administration expenses were down 7.7% on prior year, reflecting lower headcounts and staff costs in keeping with the tighter trading conditions. Interest expense at $2.5 million was $0.2 million down on prior year, despite higher interest rates.

The remaining Pizza Hut Victoria store was settled early in the half with all winding up costs for this investment fully provided for.

Non-Trading Costs

Non trading items of $3.2 million were considerably up on last year's $1.4 million.

The bulk of the increase was from a $2.5 million impairment charge taken up on the Pizza Hut New Zealand operations and closure costs associated with asset write-offs and make-goods from store closures of $0.7 million.

Cash Flow & Balance Sheet

Total assets at $107.5 million were $5.5 million down on previous year end. This mainly arose from the $2.5 million impairment charge taken on the Pizza Hut New Zealand goodwill. Property, plant and equipment at $75.9 million was marginally down on prior year end, with a slow down in capital expenditure and some store closures.

Debt levels continue to reduce, with total borrowings at $40.8 million at the half year, compared with the $42.9 million at previous year end and $48.7 million for the previous half year.

Operating cash flows of $10.5 million were lower than the previous half year's $13.4 million, with the lower levels of profitability and some movements in creditors.

A slowing in the capital expenditure programme, together with the fact that no franchise fees of any substance were paid in the first half of this year (compared with $1.6 million in the prior year), saw cash outflows from investing activities reduce from $9.8 million in the 2008 half year to $5.0 million in the first half of 2009.

Dividend

Whilst the underlying result for the first half is slightly below prior year, directors have sufficient confidence in the current operating performance of the business and year end outcomes to declare an interim dividend of 3.0 cents per share (the same as last year).

The dividend will be paid on Friday 21 November 2008 to all shareholders on the register at 5pm on Friday 7 November 2008. For overseas shareholders, a supplementary dividend of 0.5294 cents per share will be paid at the same time.

Directors have elected to continue to suspend the dividend reinvestment plan for the time being.

Outlook

Despite the weaker retail environment, directors expect that the KFC business will maintain sales growth and hold its margins in the second half. The transformation programme will be slowed until a better view of the future retail environment becomes clear. There remains some opportunity for margin improvement through price increases and some further internal efficiencies. There will also be the opportunity to close two or three loss making KFC stores at lease end, further assisting margins.

The Pizza Hut business is expected to struggle in the short term, although no significant deterioration is anticipated on the first half performance. Two more red roof stores are expected to close in the second half.

The Starbucks Coffee business is expected to continue its same store sales growth trend, showing some improvement in margins as it completes the review of its food offering and continues to implement operating efficiencies in waste and labour. Some further minor store rationalisation will take place for one or two stores at lease end.

G&A costs are expected to remain constant and some fall in interest costs will be seen in the second half, with lower overall borrowing rates and some reduction in debt levels compared with the prior year.

Directors expect that with no significant down turn in current economic conditions, the company will produce an NPAT (excluding non-trading items) in the vicinity of $9-10 million for the full year.

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RESTAURANT BRANDS GROUP

Consolidated Income Statement

For period 1 March to 8 September 2008 (2009 Half Year)

	1st Half 2009 8 September 2008 Unaudited (NZ $000's)		vs Prior %	1st Half 2008 10 September 2007 Unaudited (NZ $000's)	
Continuing Operations:					
Sales					
KFC	110,375		4.0	106,175	
Pizza Hut	34,570		(14.7)	40,507	
Starbucks Coffee	17,317		(0.6)	17,425	
Other Revenue	245		2.9	238	
Total Operating Revenue	**162,507**		(1.1)	**164,345**	
Cost of goods sold	(135,052)		(0.1)	(134,852)	
Gross Margin	**27,455**		(6.9)	**29,493**	
Distribution expenses	(2,408)		13.2	(2,773)	
Marketing expenses	(10,573)		(6.8)	(9,903)	
General and administration expenses	(5,558)		7.7	(6,023)	
EBIT before non-trading	**8,916**		(17.4)	**10,794**	
Non-trading	(3,228)		(128.5)	(1,413)	
EBIT	**5,688**		(39.4)	**9,381**	
Interest income	-		(100.0)	19	
Interest expense	(2,454)		7.6	(2,655)	
Net profit before tax	**3,234**		(52.1)	**6,745**	
Taxation expense	(872)		61.5	(2,262)	
Net Profit After Tax (NPAT) from continuing operations	**2,362**		(47.3)	**4,483**	
Total profit after tax (NPAT)	**2,362**		(47.3)	**4,483**	
NPAT on continuing operations excluding non-trading items	**4,632**		(14.7)	**5,430**	
Total NPAT excluding non-trading items	**4,632**		(14.7)	**5,430**	
EBITDA					
KFC	18,586	16.8	(3.2)	19,210	18.1
Pizza Hut	1,263	3.7	(47.2)	2,390	5.9
Starbucks Coffee	1,666	9.6	(21.0)	2,109	12.1
Total New Zealand	21,515	13.3	(9.3)	23,709	14.4
Ratios					
Net Tangible Assets (NTA) per security (NTA divided by number of shares) in cents	**8.7c**			**3.9c**	

Cost of goods sold are direct costs of operating stores: food, paper, freight, labour and store overheads
Distribution expenses are costs of distributing product from store
Marketing expenses are call centre, advertising and local store marketing expenses
General and administration expenses are non store related overheads

Restaurant Brands New Zealand Limited	
Results for announcement to the market	
Reporting Period	6 months to 8 September 2008
Previous Reporting Period	6 months to 10 September 2007

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ$162,507	(1.1)%
Profit from ordinary activities after tax attributable to security holder.	NZ$2,362	(47.3)%
Net profit attributable to security holders.	NZ$2,362	(47.3)%

Interim/Final Dividend	Amount per share	Imputed amount per share
Interim	NZ 3 cents	NZ 1.28571 cents

Record Date	7 November 2008
Dividend Payment Date	21 November 2008

Comments:	Refer to attached report

This report is based on accounts which have not been audited. The report is provided with the accounts which accompany this announcement.