Directors' Report to Shareholders
For the Half Year ended 12 September 2011

Key Points

	1H 2012	1H 2011	Change (%)
Total Group Revenue ($m)	**166.8**	**176.6**	**-5.5**
Group Net Profit after Tax* ($m)	**8.6**	**13.9**	**-38.4**
Dividend (cps)	**6.5**	**7.0**	**-7.1**

**Excluding non-trading items*

- Net Profit after Tax for the half year (excluding non-trading items) was $8.6 million or 8.7 cents per share (38.4% down on prior year). Reported profit (including non-trading items) was $7.5 million.

- Total revenues of $166.8 million were 5.5% down on prior year, with the Christchurch earthquake accounting for 40% of the total decline. Same store sales were down 3.5% for the half year, mainly from a lower Pizza Hut performance.

- Earnings fell across all three brands to a total EBITDA of $25.9 million, a decrease of $8.0 million (or 23.7%) on the previous half year, as a result of lower sales and higher input costs.

- Directors have declared a fully imputed interim dividend payable on 25 November 2011 of 6.5 cents per ordinary share, down 0.5 cents on last year.

Group Operating Results

Restaurant Brands' unaudited net profit after tax (excluding non-trading items) for the half year ended 12 September 2011 was $8.6 million or 8.7 cents per share, a 38.4% reduction on the prior year's result of $13.9 million. Reported profit was $7.5 million (7.7 cents per share), down 44% on prior year.

All three brands recorded reduced margins, with KFC EBITDA down $5.6 million (19.5%), Pizza Hut dropping $2.1 million (66.9%) and Starbucks Coffee down $0.3 million (15.1%). The reduced EBITDA of $25.9 million, down $8.0 million or 23.7% in total, was as a result of lower sales and increased input costs in all three businesses.

Total operating revenue at $166.8 million was $9.7 million (5.5%) down on prior year, with KFC sales growth of $0.9 million more than offset by a decline in Pizza Hut sales of $9.2 million and Starbucks Coffee sales of $1.5 million. Total sales were adversely impacted by the Christchurch earthquake (by an estimated $3.8 million), Pizza Hut store closures and sales to independent franchisees together with Starbucks Coffee store rationalisation. However continuing soft and competitive retail conditions saw overall group same store sales fall by 3.5%.

While the first half of the year has been characterised by an extremely challenging trading environment, the significant improvements seen over the past 2-3 years have positioned Restaurant Brands well in the current retail downturn and the company has a number of initiatives under way to boost performance over the second half of the year.

Christchurch Earthquake

The earthquake in Christchurch on 22 February 2011 and the 13 June aftershock had a significant adverse impact on all three businesses in the Christchurch area, causing the closure of 19 stores and costing the company an estimated $3.8 million in lost sales. Comprehensive material damage and business interruption insurance has generally mitigated the extent of the resultant losses, but the disruption to operations in that region has been severe. Of the 19 closed stores, 15 are now fully operational, but three Starbucks Coffee stores and one KFC store in the CBD remain closed and some may not re-open.

KFC

	1H 2012	1H 2011	Change	Change (%)
Sales ($m)	**127.9**	**127.0**	**+0.9**	**+0.7**
EBITDA ($m)	**23.2**	**28.8**	**-5.6**	**-19.5**
EBITDA as % of Sales	***18.1***	***22.7***	**-**	**-**

KFC saw a tapering off in its strong sales growth, producing total revenues of $127.9 million, up 0.7% ($0.9 million) on prior year but down 1.9% on a same store sales basis. Total sales would have been up another $2.0 million (1.6%), but for the impact of the earthquake.

Despite the continuing improvement in operating efficiencies, the deleverage from negative same store sales, together with escalating pressures on input costs (less able to be passed on to the consumer in the current economic environment) have meant a reduction in this half year's earnings against prior year. The KFC business has seen a reduction in EBITDA of $5.6 million (19.5%) to $23.2 million (18.1% of sales versus 22.7% of sales last year).

The transformation process has again been slowed down in the tougher economic environment with five stores transformed over the half year, being Wanganui, Masterton, Gore, Taupo and St Lukes, with all performing to or ahead of expectations.

A total of 50 stores have now been transformed which, with an additional eight new ones, brings the total number of new format stores to 65% of the 89 in the network. One store in Christchurch remains closed as a result of the earthquake.

Pizza Hut

	1H 2012	1H 2011	Change	Change (%)
Sales ($m)	**24.6**	**33.8**	**-9.2**	**-27.2**
EBITDA ($m)	**1.0**	**3.1**	**-2.1**	**-66.9**
EBITDA as % of Sales	***4.2***	***9.3***	**-**	**-**

Pizza Hut saw a downturn in sales and margin over this half year.

Whilst the sales drop of $9.2 million to $24.6 million was to an extent a result of store sales to independent franchisees (11 sold to date, six over the half year) and the impact of the Christchurch earthquake ($0.7 million), the underlying same store sales decrease of 14.5% over the half was of concern.

A number of new products were released, including the *Mexican Mia* pizzas, together with a re-launch of *More 4 All* with consumer interest remaining very much focussed on discount offers.

The sales deleverage and impact of increased input costs saw Pizza Hut EBITDA drop $2.1 million to only $1.0 million for the half year. EBITDA margin was only 4.2% of sales, well down on the 9.3% achieved last year.

The appointment of a new general manager with considerable operational experience in the Pizza Hut business and a number of sales driving initiatives are planned to address the sales decline in the second half of the year.

Pizza Hut finished the half with 74 stores down 14 on prior year with four closures (two in this half year) and 11 stores now sold to independent franchisees.

The Pizza Hut store sell down programme continued to accelerate with 11 stores sold to date and a further four expected to settle in the next quarter.

Starbucks Coffee

	1H 2012	1H 2011	Change	Change (%)
Sales ($m)	**14.0**	**15.5**	**-1.5**	**-9.7**
EBITDA ($m)	**1.7**	**2.0**	**-0.3**	**-15.1**
EBITDA as % of Sales	***12.1***	***12.9***	**-**	**-**

The Starbucks Coffee brand continued to improve operating efficiencies and, with the benefit of a strong exchange rate and the closure of some poor performing stores, an improved profit result was expected. However the impact of a substantial milk price increase meant that profit fell slightly below last year's levels. The business still produced a solid EBITDA of $1.7 million for the half, down $0.3 million or 15.1% on last year. The Starbucks Coffee EBITDA margin as a % of sales was 12.1% versus 12.9% last year.

Sales at $14.0 million were down by $1.5 million or 9.7% on last year with four less stores and three more stores closed because of the Christchurch earthquake (which contributed $1.1 million of the sales reduction). Sales rose 5.4% however on a same store basis, maintaining the positive trend of the last five quarters.

Store numbers were 35 at balance date, four down on prior year, but only 32 continued to operate with three out of four stores remaining closed in Christchurch after the earthquake. This brand too, has seen the appointment of a new general manager and is looking to reinitiate further store rollouts.

Corporate & Other

General and administration (G&A) costs at $6.2 million were down $1.0 million or 14.6% on the prior half year. With the downturn in sales there have been some minor reductions in headcount, but the bulk of the G&A cut is in levels of variable remuneration incentives, no longer payable with the current levels of profitability from the three businesses. G&A costs are running at 3.7% of sales well below the targeted 4%.

Depreciation charges were up $0.7 million for the half year to $7.4 million reflecting the significant increase in capital expenditure over the previous financial year.

Interest expense at $0.7 million is slightly up on last year's $0.6 million with slightly higher debt levels.

Tax expense is down on prior year with the lower corporate tax rate of 28% and lower profitability producing an effective rate of 25.6% versus last year's 29.2%.

Non-Trading Items

Non-trading items of $1.7 million are up on last year's $0.6 million mainly because of Pizza Hut goodwill write offs on disposal of stores ($1.2 million) together with write offs and make good costs on store closures of $0.4 million.

Cash Flow & Balance Sheet

Total assets at $111.9 million were $0.5 million higher than the previous year end, with property, plant and equipment at $83.0 million versus $82.6 million at year end. Intangible assets were down to $20.8 million from $22.2 million at the last year end as Pizza Hut continued to write off goodwill as stores are sold to independent franchisees. There were no impairment write downs on intangibles as all three brands continued to maintain enterprise values in excess of their carrying values.

Total liabilities at $55.2 million were $2.7 million up on the previous year end. Total borrowings were up $5.6 million to $18.0 million largely offset by a reduction in income tax payable of $2.8 million. Creditors and accruals at $29.3 million were very close to the previous year end balance of $29.4 million.

Operating cash flows of $15.2 million were $10.8 million down on the previous half year's $26.0 million reflecting the poorer profit performance and adverse working capital movements including a reduction in income tax payable and increases in prepayments and receivables (insurance premiums and earthquake receipts).

Cash outflows from investing activities of $10.9 million were $2.5 million down on the previous half year with a reduction in KFC transformation expenditure and the benefit of proceeds from the sales of Pizza Hut franchises ($1.7 million).

Higher levels of dividend impacted financing cash flows with $9.8 million paid to shareholders over the half year versus $7.8 million in the previous half.

Dividend

The company has seen some improvement in sales and margin in the first few weeks of the second half and directors are anticipating improved profitability for the balance of the year. With the relatively low levels of debt and no increases planned in capital expenditure, the board is comfortable with only a small reduction in the interim dividend, despite the lower earnings in the first half.

Directors have therefore declared an interim dividend of 6.5 cents per share.

The dividend will be paid on Friday 25 November 2011 to all shareholders on the register at 5pm on Friday 11 November 2011. For overseas shareholders, a supplementary dividend of 1.1471 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, but will review this again prior to the declaration of a final dividend.

Outlook

With New Zealand's tougher economic environment, this has been a particularly challenging period for the sector and for the company when compared with the very strong first half of the 2010/11 year. The economic downturn persists and there are continuing pressures on sales and margins.

With the commencement of the Rugby World Cup there have been some positive signs of growth particularly in the KFC business, but the sustainability of this growth is still uncertain. Whilst the impact of the GST increase will have rolled over from 1 October, consumer sentiment remains bearish and retail sales uncertain. Absent any further deterioration in the economy, directors anticipate an improving trend in profit in the second half to a full year NPAT (excluding non-trading items) in the vicinity of $20 million.

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About Restaurant Brands:

Restaurant Brands New Zealand Limited operates the New Zealand outlets of KFC, Pizza Hut and Starbucks Coffee. These brands - three of the world's most famous - are distinguished for their product, look, style and ambience, service and for the total experience they deliver to their customers in New Zealand and around the world.

RESTAURANT BRANDS GROUP
Consolidated Income Statement

$NZ000's (Unaudited)	1st Half 2012 12 September 2011		vs Prior %	1st Half 2011 13 September 2010	
Continuing operations					
Sales					
KFC	127,912		*0.7*	127,051	
Pizza Hut	24,565		*(27.2)*	33,756	
Starbucks Coffee	13,980		*(9.7)*	15,477	
Total sales	**166,457**		*(5.6)*	**176,284**	
Other revenue	360		*28.6*	280	
Total operating revenue	**166,817**		*(5.5)*	**176,564**	
Cost of goods sold	(137,834)		*0.8*	(138,990)	
Gross margin	**28,983**		*(22.9)*	**37,574**	
Distribution expenses	(1,704)		*15.9*	(2,026)	
Marketing expenses	(8,576)		*(5.7)*	(8,115)	
General and administration expenses	(6,179)		*14.6*	(7,232)	
EBIT before non-trading	**12,524**		*(38.0)*	**20,201**	
Non-trading	(1,660)		*(178.5)*	(596)	
EBIT	**10,864**		*(44.6)*	**19,605**	
Net financing expenses	(722)		*(26.2)*	(572)	
Net profit before tax	**10,142**		*(46.7)*	**19,033**	
Taxation expense	(2,593)		*53.3*	(5,556)	
Net profit after tax from continuing operations	**7,549**		*(44.0)*	**13,477**	
Total profit after tax (NPAT)	**7,549**		*(44.0)*	**13,477**	
Total NPAT excluding non-trading	**8,556**		*(38.4)*	**13,894**	
		% sales			**% sales**
EBITDA before G&A					
KFC	23,209	*18.1*	*(19.5)*	28,842	*22.7*
Pizza Hut	1,042	*4.2*	*(66.9)*	3,147	*9.3*
Starbucks Coffee	1,695	*12.1*	*(15.1)*	1,997	*12.9*
Total	**25,946**	***15.6***	***(23.7)***	**33,986**	***19.3***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	36.7 c			32.1 c	

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 (G&A) are non-store related overheads.