Directors' Report to Shareholders
For the 28 Weeks ended 8 September 2014

Key Points

	1H 2015	1H 2014	Change ($)	Change (%)
Total Group Sales ($m)	**185.7**	**175.4**	**+10.2**	**+5.8**
Group Net Profit after Tax ($m)	**11.5**	**9.7**	**+1.8**	**+18.6**
Dividend (cps)	**7.5**	**6.5**	**+1.0**	**+15.4**

- Net Profit after Tax for the 28 weeks ended 8 September 2014 (1H 2015) was $11.5 million (11.7 cents per share) up $1.8 million or 18.6% on the prior period (1H 2014). Net Profit excluding non-trading items was also $11.5 million, up $2.7 million or 30.2% on the prior period.

- Total Group Sales were $185.7 million, up 5.8% on the previous half year, driven by a strong performance from KFC and increased contribution from the new Carl's Jr. brand. Same store sales were up 4.9% for the half year (+2.9% 1H 2014) with solid same store sales growth from KFC, Pizza Hut and Starbucks Coffee.

- Brand EBITDA was up $4.4 million to $31.6 million. The bulk of the increase came from KFC, but all four brands delivered an improved profit performance.

- Directors have declared an interim dividend of 7.5 cents per ordinary share, up 1.0 cent on last year. The dividend is fully imputed and payable on 21 November 2014.

Group Operating Results

Restaurant Brands' unaudited net profit after tax for the 28 weeks ended 8 September 2014 (1H 2015) was $11.5 million or 11.7 cents per share, up 18.6% on prior year (1H 2014). NPAT excluding non-trading items was also $11.5 million, up 30.2% on prior year which included $1.1 million net income principally from property sales and leasebacks.

Total brand sales for the Group were $185.7 million, up $10.2 million or 5.8% on 1H 2014 with a strong performance from KFC (up $7.8 million) and the new Carl's Jr. stores delivering another $2.2 million in sales. Total operating revenue was $192.0 million, up $16.0 million on prior year.

Same store sales were up 4.9% (compared with 2.9% last year) with KFC, Pizza Hut and Starbucks Coffee all delivering strong same store sales growth.

Brand EBITDA at $31.6 million was $4.4 million (16.2%) up on prior year. KFC delivered the bulk of the improvement with an increase on prior year of $3.4 million, although all four brands delivered positive growth on 1H 2014.

Store numbers totalled 174 at the end of the half, exactly the same as for the prior year with reductions in Pizza Hut store numbers following store disposals to independent franchisees and Starbucks Coffee store closures, offset by Carl's Jr. builds and KFC acquisitions.

KFC

	1H 2015	1H 2014	Change ($)	Change (%)
Sales ($m)	**137.1**	**129.3**	**+7.8**	**+6.1**
EBITDA ($m)	**26.2**	**22.8**	**+3.4**	**+14.8**
EBITDA as a % of Sales	***19.1***	***17.7***	**-**	**-**
Store numbers at end of period	**90**	**89**		

KFC's total sales were $137.1 million, up 6.1% or $7.8 million on prior year with same store sales up 6.4% (-0.1% in 1H 2014). A generally improving retail environment, higher levels of advertising expenditure and some successful promotions all contributed to the strongest sales improvement for the brand in four years.

The return of *Hot 'n Spicy*, and some new *Double Down* variants were both particularly popular promotions which, together with a successful rugby sponsorship, drove total sales to another high for KFC.

Margins improved strongly over prior year as KFC enjoyed more competitive input prices, particularly in chicken, and benefited from operating leverage with the higher sales volumes. Mitigating against this were a significant increase in advertising expenditure and increased labour costs as stores were staffed up to meet the increased volumes. The comparative improvement over prior year was also as a result of rolling over the value strategy introduced in 1H 2014 as a result of competitive pressures. The resultant $3.4 million (14.8%) increase in EBITDA on prior year brought KFC earnings up to $26.2 million (19.1% of sales).

Store numbers remained constant at 90 with one store closed (Taihape) and the store at Mt Maunganui acquired from an independent franchisee.

The transformation process picked up pace with five stores transformed in the first half, compared with one in 1H 2014. As at the end of the half KFC had 76 (or 84%) of its 90 stores new or transformed with another five scheduled for completion in the second half. One five year upgrade was completed with a further four planned for the second half. All five transformed stores have shown positive same store sales growth on re-opening.

Pizza Hut

	1H 2015	1H 2014	Change ($)	Change (%)
Sales ($m)	**26.5**	**26.6**	**-0.1**	**-0.3**
EBITDA ($m)	**3.3**	**3.1**	**+0.2**	**+4.5**
EBITDA as a % of Sales	***12.3***	***11.8***	**-**	**-**
Store numbers at end of period	**49**	**52**		

Pizza Hut is now approaching three years' of solid growth in both same store sales and margins.

Same store sales were up 8.3% for the half year on top of a 19.3% increase for the previous half year and a 19.5% increase in 1H 2013. Total sales were marginally down to $26.5 million, but with three less stores as a result of sales to independent franchisees.

Continuing sales leverage and tight operational controls saw Pizza Hut EBITDA increase $0.2 million to $3.3 million for the half year (up 4.5%). EBITDA margin also improved from 11.8% of sales to 12.3%.

Pizza Hut finished the half with 49 stores, three less than the prior year, with 35 stores now sold to independents. Two stores (Newtown and Botany Downs) were sold to independent franchisees in this half year. The programme of sales of lower volume and regional stores to independent franchisees is continuing, albeit at a slower pace. A further two or three stores are expected to be sold by the end of the financial year.

Starbucks Coffee

	1H 2015	1H 2014	Change ($)	Change (%)
Sales ($m)	**13.2**	**13.0**	**+0.2**	**+1.9**
EBITDA ($m)	**2.1**	**1.4**	**+0.7**	**+45.5**
EBITDA as a % of Sales	***15.5***	***10.9***	**-**	**-**
Store numbers at end of period	**26**	**28**		

The Starbucks Coffee brand continues to go from strength to strength, delivering a same store sales increase of +5.1% for the half year and a profit improvement of 45.5%. Total sales were up by 1.9% to $13.2 million, despite two less stores than last year (with one closing in this half).

Margins improved strongly for the brand, driven by a higher exchange rate and continuing store efficiencies. This resulted in an EBITDA of $2.1 million (15.5% of sales), up $0.6 million on 1H 2014.

Store numbers were 26 at balance date, two down on the prior year with one store (Karangahape Rd) closing during the half.

Carl's Jr.

	1H 2015	1H 2014	Change ($)	Change (%)
Sales ($m)	**8.8**	**6.6**	**+2.2**	**+33.5**
EBITDA ($m)	**0.1**	**-0.2**	**+0.3**	**+150.0**
EBITDA as a % of Sales	***1.0***	***-2.6***	**-**	**-**
Store numbers at end of period	**9**	**5**		

The Carl's Jr. brand continues to make progress in its establishment phase. Store numbers now total nine, four more than at 1H 2014, with one new store in Gisborne opening in the period.

Sales were up $2.2 million or 33.5% to $8.8 million. The increase was based on new store builds with same store sales continuing to be negative as the brand rolls over the significant volumes enjoyed in opening weeks last year.

Carl's Jr. produced a small positive EBITDA for the half of $0.1 million, as it continues to develop local sourcing opportunities for its ingredients and implement labour efficiencies in its stores.

Corporate & Other

General and administration (G&A) costs were $7.8 million, up $0.6 million (8.5%) on prior year, largely as a result of variable remuneration provisions. G&A is running at 4.2% of sales, slightly over the 4.0% target.

Depreciation charges of $7.8 million for the half year were marginally ($0.2 million) up on the prior year mainly because of the increased capital expenditure in Carl's Jr.

Amortisation charges also rose by $0.1 million, mainly as a result of Carl's Jr. franchise fees and some software development costs.

Funding costs remained flat at $0.4 million with similar interest rates and debt levels.

Tax expense was $0.6 million up on the prior year with higher reported profit levels. The effective tax rate of 26.6% is slightly lower than prior year's 26.9% with no significant movements in non-deductible items.

Non-Trading Items

Non-trading items were $1.3 million unfavourable to prior year. The prior year results included net non-trading income of $1.1 million, primarily from the sale and leaseback of two KFC stores, which has not been repeated in the current year.

This year there were some minor write-offs as a result of store closure provisions and KFC transformations.

Cash Flow & Balance Sheet

The company has maintained a strong balance sheet with $66.3 million in total equity and gearing levels at less than 8%.

Total assets of $121.7 million were up $13.4 million on the last year end. The bulk of the increase was in inventories which were up $6.1 million following the company's stock of raw materials and ingredients changing to in-house ownership. This initiative has brought significantly more control over supply chain and purchasing arrangements. In addition property, plant and equipment increased to $84.5 million (up $4.2 million) with KFC transformation expenditure and Carl's Jr. roll outs.

Total liabilities of $55.4 million were up $11.7 million on the previous year end mainly because of the increase in trade creditors (up $13.6 million). This was due to the inventory increase and timing differences in monthly creditor payments.

Bank debt reduced over the half year by $2.6 million to $5.5 million. On 21 October the facility of $35 million was renewed for a period of three years.

Operating cash flows were $24.1 million, $7.1 million up on the previous half year, as a result of both improved profitability and favourable working capital movements (change in creditors).

Net cash outflows from investing activities were $11.3 million. This is $8.2 million higher than the prior half year because of both increased capital expenditure (up $1.8 million to $13.2 million) and also lower levels of investing cash receipts. Investing receipts this year (from the sale and leaseback of the Carl's Jr. Hastings store and Pizza Hut store sales) were $3.4 million versus $9.2 million in the prior year. Prior year investing receipts included the impact of the sale and leaseback of two KFC stores.

With $12.8 million in free cash flow for the half year, debt was reduced by $2.6 million, reducing total borrowings to $5.5 million.

Dividend

Directors have declared a fully imputed interim dividend of 7.5 cents per ordinary share (up 1.0 cent or 15.4% on prior year). The dividend will be payable on 21 November to all shareholders on the register on 7 November 2014. A supplementary dividend of 1.3235 cents per share will be paid to all overseas shareholders 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

As planned, the hard work in building internal efficiencies under last year's pricing pressures has put the company in a good position to benefit from the sales improvements with better market conditions. This, together with some reductions in input costs, has produced a corresponding improvement in brand margins.

KFC is expected to maintain positive sales growth into the second half of the year and leverage this growth against fixed costs which, together with lower input prices, will maintain similar margins in the second half.

Pizza Hut whilst now seeing some softening in the high levels of same store sales growth seen over the past three years is still expected to continue to deliver same store sales growth and maintain current margins, while continuing the store sell down programme.

Starbucks Coffee will hold sales and margin at their current levels for the balance of the year.

Carl's Jr. will see a continuation of store roll outs with a further two stores scheduled for opening in the second half of the year. EBITDA margins will continue to improve in the second half as local sourcing of raw materials and operational efficiencies are phased in.

Directors anticipate therefore that with no major changes to economic or market conditions, the company will deliver a full year profit for the 2015 year in excess of $22 million.

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RESTAURANT BRANDS GROUP
Consolidated Income Statement
For the 28 week period ended 8 September 2014 (2015 Half Year)

Group $NZ000's		(28 weeks) Unaudited 1st Half 2015 8 September 2014		vs Prior %	(28 weeks) Unaudited 1st Half 2014 9 September 2013	
Sales						
KFC		137,107		*6.1*	129,264	
Pizza Hut		26,486		*(0.3)*	26,577	
Starbucks Coffee		13,228		*1.9*	12,975	
Carl's Jr.		8,846		*33.5*	6,628	
Total sales		**185,667**		*5.8*	**175,444**	
Other revenue		6,376		*1,006.9*	576	
Total operating revenue		**192,043**		*9.1*	**176,020**	
Cost of goods sold		(157,148)		*(6.8)*	(147,199)	
Gross margin		**34,895**		*21.1*	**28,821**	
Distribution expenses		(1,347)		*4.3*	(1,407)	
Marketing expenses		(9,436)		*(22.9)*	(7,676)	
General and administration expenses		(7,814)		*(8.5)*	(7,205)	
EBIT before non-trading		**16,298**		*30.0*	**12,533**	
Non-trading		(206)		*(118.2)*	1,130	
EBIT		**16,092**		*17.8*	**13,663**	
Net financing expenses		(433)		*(9.3)*	(396)	
Net profit before tax		**15,659**		*18.0*	**13,267**	
Taxation expense		(4,164)		*(16.5)*	(3,573)	
Total profit after tax (NPAT)		**11,495**		*18.6*	**9,694**	
Total NPAT excluding non-trading		**11,502**		*30.2*	**8,837**	
			% sales			**% sales**
EBITDA before G&A						
KFC		26,198	*19.1*	*14.8*	22,826	*17.7*
Pizza Hut		3,271	*12.3*	*4.5*	3,129	*11.8*
Starbucks Coffee		2,052	*15.5*	*45.5*	1,410	*10.9*
Carl's Jr.		85	*1.0*	*150.0*	(170)	*(2.6)*
Total		**31,606**	***17.0***	*16.2*	**27,195**	***15.5***
Ratios						
Net tangible assets per security (net tangible assets divided by number of shares) in cents		48.6c			43.3c	

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.

Restaurant Brands Group
Non-GAAP Financial Measures
For the 28 week period ended 8 September 2014

The Group results are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("GAAP") and comply with International Financial Reporting Standards (" IFRS"). These interim financial statements include non-GAAP financial measures that are not prepared in accordance with IFRS. The non-GAAP financial measures used in this presentation are as follows:

1. **EBITDA before G&A.** The Group calculates Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") before G&A (general and administration expenses) by taking net profit before taxation and adding back (or deducting) net financing expenses, non-trading items, depreciation, amortisation and G&A. The Group also refers to this measure as **Brand EBITDA**.

   The term **Brand** refers to the Group's four operating segments comprising KFC, Pizza Hut, Starbucks Coffee and Carl's Jr. The term **G&A** represents non-store related overheads.

2. **EBIT before non-trading**. Earnings before interest and taxation ("EBIT") before non-trading is calculated by taking net profit before taxation and adding back (or deducting) net financing expenses and non-trading items.

3. **Non-trading items**. Non-trading items represent amounts the Group considers unrelated to the day to day operational performance of the Group. Excluding non-trading items enables the Group to measure underlying trends of the business and monitor performance.

4. **EBIT after non-trading items**. The Group calculates EBIT after non-trading items by taking net profit before taxation and adding back net financing expenses.

5. **Total NPAT excluding non-trading**. Total Net Profit After Tax ("NPAT") excluding non-trading items is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) non-trading items whilst also allowing for any tax impact of those items.

The Group believes that these non-GAAP measures provide useful information to readers to assist in the understanding of the financial performance and position of the Group but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. Non-GAAP measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

The following is a reconciliation between these non-GAAP measures and net profit after taxation:

$NZ000's	Note*	2015 Half Year	2014 Half Year
EBITDA before G&A	1	**31,606**	**27,195**
Depreciation		(7,800)	(7,592)
Loss on sale of property, plant and equipment (included in depreciation)		(4)	(45)
Amortisation (included in cost of sales)		(861)	(740)
G&A - area managers, general managers and support centre		(6,643)	(6,285)
EBIT before non-trading	2	**16,298**	**12,533**
Non-trading items **	3	**(206)**	**1,130**
EBIT after non-trading items	4	**16,092**	**13,663**
Net financing costs		(433)	(396)
Net profit before taxation		**15,659**	**13,267**
Income tax expense		(4,164)	(3,573)
Net profit after taxation		**11,495**	**9,694**
Add back / (deduct) non-trading items		206	(1,130)
Taxation (credit) / expense on non-trading items		(199)	273
Net profit after taxation excluding non-trading items	5	**11,502**	**8,837**

* Refers to the list of non-GAAP measures as listed above.
** Refer to note 1 of the interim financial statements for an analysis of non-trading items.