Directors' Report to Shareholders
For the 28 Weeks ended 14 September 2015
(1H 2016)

Key Points

	1H 2016	1H 2015	Change ($)	Change (%)
Total Group Sales ($m)	**210.0**	**185.7**	**+24.3**	**+13.1**
Group Net Profit after Tax ($m)	**13.4**	**11.5**	**+1.9**	**+16.7**
Dividend (cps)	**8.5**	**7.5**	**+1.0**	**+13.3**

- Net Profit after Tax for the 28 weeks ended 14 September 2015 (1H 2016) was $13.4 million (13.7 cents per share), up $1.9 million or 16.7% on the prior period (1H 2015). Net Profit (excluding non-trading items) was $13.1 million, up $1.6 million or 13.8% on the prior period.

- Total Group Sales were $210.0 million, up 13.1% on the previous half year, driven by a strong performance from KFC and increased volumes from the new Carl's Jr. brand. Same store sales were up 6.7% for the half year (+4.9% 1H 2015) with solid same store sales growth from KFC and Starbucks Coffee.

- Combined brand EBITDA was up $4.4 million to $36.0 million.

- Directors have declared an interim dividend of 8.5 cents per ordinary share, up 1.0 cent on last year. The dividend is fully imputed and payable on 27 November 2015.

Group Operating Results

Directors are pleased to report that Restaurant Brands (RBD) has achieved a strong first half result with an unaudited net profit after tax for the 28 weeks ended 14 September 2015 (1H 2016) of $13.4 million. This amounts to 13.7 cents per share, up 16.7% on prior year (1H 2015). NPAT (excluding non-trading items) was $13.1 million, up 13.8% on prior year.

Total brand sales for the Group were $210.0 million, up $24.3 million or 13.1% on 1H 2015 with a strong performance from KFC (up $16.1 million) and the newly-acquired and built Carl's Jr. stores delivering another $9.5 million in sales. Total operating revenue was $218.4 million, up $26.4 million on prior year.

Same store sales were up 6.7% (compared with 4.9% last year) led by KFC and Starbucks Coffee.

Combined brand EBITDA at $36.0 million was $4.4 million (13.8%) up on prior year.

Across the networks of all four brands, store numbers in New Zealand at the end of the half year totalled 231, up from 218 in the prior year. Of these Restaurant Brands' stores comprised 180, six up from the prior year.

KFC

	1H 2016	1H 2015	Change ($)	Change (%)
Network Sales ($m)	**162.7**	**147.4**	**+15.3**	**+10.4**
Network Store Numbers	**98**	**97**	**-**	**-**
RBD Sales ($m)	**153.2**	**137.1**	**+16.1**	**+11.7**
RBD EBITDA ($m)	**30.9**	**26.2**	**+4.7**	**+17.8**
EBITDA as a % of Sales	***20.1***	***19.1***	**-**	**-**
RBD Store Numbers	**92**	**90**		

For Restaurant Brands, KFC sales were $153.2 million, up 11.7% or $16.1 million on prior year with same store sales up 8.8% (+6.4% in 1H 2015). A continuing positive retail environment, higher levels of advertising activity and some successful new product promotions all contributed to a strong first half profit performance.

Margins continued to improve, commensurate with sales, with the benefits of higher sales leverage largely offsetting some input cost increases. As a result KFC finished the half year with an EBITDA margin of 20.1% of sales, at the upper end of its normal range. In dollar terms KFC produced an EBITDA of $30.9 million, up $4.7 million (17.8%) on last year's result.

Both RBD and total network store numbers increased by one over the half year to a total of 92 and 98 respectively with the opening of a new store at Albany.

No major transformations took place over the period, but four are scheduled for 2H 2016. This will bring the total number of transformed KFC stores to 87 out of the 92 Restaurant Brands stores in the network. However the brand is embarking on a further round of facility refreshment with 11 stores receiving minor upgrades and one other receiving another major upgrade.

Pizza Hut

	1H 2016	1H 2015	Change ($)	Change (%)
Network Sales	**45.8**	**42.9**	**+2.9**	**+6.8**
Network Store Numbers	**89**	**86**	**-**	**-**
RBD Sales ($m)	**24.5**	**26.5**	**-1.9**	**-7.3**
RBD EBITDA ($m)	**2.8**	**3.3**	**-0.4**	**-13.3**
EBITDA as a % of Sales	***11.6***	***12.3***	**-**	**-**
RBD Store Numbers	**44**	**49**		

Total Pizza Hut network sales climbed to $45.8 million for the half year, up $2.9m (6.8%) on prior year. Whilst Restaurant Brands' own store sales were down slightly to $24.5 million, this was largely as a result of sales transfers to independent franchisees with the continuing disposal of Pizza Hut stores.

Restaurant Brands' earnings were also marginally down on prior year, in line with the reduction in the number of stores operated by RBD. There were also some operational areas needing improvement, all of which have been subsequently addressed. As a result EBITDA million was $2.8 million for the half year.

The Pizza Hut network finished the half year with 89 stores, three up on the same period last year as independent franchisees opened three new stores over the year. Restaurant Brands sold five more stores to independent franchisees, bringing the total number sold to 39.

Restaurant Brands expects to continue with the refranchising program and consolidate its holding of company owned stores at about 25 over the next two years.

Starbucks Coffee

	1H 2016	1H 2015	Change ($)	Change (%)
Sales ($m)	**13.9**	**13.2**	**+0.7**	**+5.2**
EBITDA ($m)	**2.2**	**2.1**	**+0.1**	**+6.9**
EBITDA as a % of Sales	***15.8***	***15.5***	**-**	**-**
Store Numbers	**26**	**26**		

Note: all Starbucks Coffee stores are RBD owned

Starbucks Coffee maintained its strong momentum, delivering same store sales growth over the period of 7.6%. Total sales were up $0.7 million (+5.2%).

Margins improved with continuing sales leverage and store efficiencies. The brand achieved an EBITDA of $2.2 million (15.8% of sales), up slightly on 1H 2015.

Store numbers remained constant at 26. A refurbishment programme is now under way for the Starbucks Coffee network with stores in Queenstown and Christchurch receiving major store upgrades.

Carl's Jr.

	1H 2016	1H 2015	Change ($)	Change (%)
Sales ($m)	**18.4**	**8.8**	**+9.5**	**+107.9**
EBITDA ($m)	**0.1**	**0.1**	**-**	**+12.9**
EBITDA as a % of Sales	***0.5***	***1.0***	**-**	**-**
Store Numbers	**18**	**9**		

Note: all Carl's Jr. stores are RBD owned

The Carl's Jr. establishment phase is well under way as the brand makes steady progress towards building its network of stores, and improving sales growth and profitability.

The focus for the first half of this year was integrating the seven stores acquired in December 2014 from Forsgren NZ Ltd. The costs of this, together with an extended port strike in the US and significant increases in beef prices, impacted adversely on the results. The company is well advanced in an initiative to locally source the majority of its ingredients for the Carl's Jr. business.

The brand held its earnings at flat to prior year at $0.1 million and is starting to see margin improvement as the second half of the year unfolds.

Sales were up $9.5 million or 107.9% to $18.4 million on 1H 2015 assisted by the acquisition of the seven Forsgren stores and an additional two stores having been built over the past 12 months.

Store numbers now total 18, with two more new stores targeted to be built in Christchurch over the next few months.

Corporate & Other

General and administration (G&A) costs were $8.7 million, up $0.9 million (11.3%) on prior year. G&A staff numbers increased as a result of enhancing both HR (recruitment and employee relations) and marketing capabilities. $0.2 million of the increment arose from taking up a further liability for the Chief Executive's Long Term Incentive scheme. The fair value of this liability is now recognised at $0.5 million of a potential total liability of $1.5 million. Even with these incremental costs G&A remains at the targeted 4.0% of total revenue (vs 4.1% last year).

Depreciation charges of $9.0 million for the half year were $1.2 million higher than for the prior year mainly because of the increased capital expenditure in Carl's Jr. (with an additional $0.8 million depreciation charge) and KFC (a $0.5 million charge).

Funding costs were up $0.2 million to $0.6 million with higher levels of borrowing, following the Carl's Jr. store acquisition in December 2014.

Tax expense was $0.8 million up on the prior year with higher reported profit levels. The effective tax rate of 27.0% is slightly higher than prior year's 26.6% with no significant movements in non-deductible items.

Non-Trading Items

Non-trading income was $0.3 million, with the bulk of this arising from gains on disposal of Pizza Hut stores.

Cash Flow & Balance Sheet

The company's balance sheet remains conservative with $73.3 million in total equity and gearing levels at just over 9%.

Total assets of $139.3 million were down slightly on the year end's $144.6 million, largely because of a reduction in receivables of $3.4 million mostly arising from receipts of landlord contributions for new and transformed stores.

Total liabilities of $66.0 million were down $7.4 million on the previous year end, mainly because of reduced levels of borrowings, although this was partially offset by higher payables with timing of creditor payments.

Bank debt reduced over the half year from $22.6 million to $8.5 million. Compared with 1H 2015 borrowings are now classified as non-current following renewal of the company's $35 million bank facility in October 2014.

Operating cash flows were up strongly by 27% to $30.4 million assisted by both improved profitability and a decrease in working capital.

Investing cash outflows were down on prior half year with lower levels of capital expenditure (down $5.6 million to $9.1 million). Investing receipts this year were from Pizza Hut store sales of $0.8 million and landlord contributions for new store developments of $2.8 million. Resultant net cash outflows from investing activities were $5.5 million, down $5.8 million on the prior period.

With $24.9 million in free cash flow for the half year, debt was reduced by $14.0 million on the year-end balance to $8.5 million.

Dividend

Directors have declared a fully imputed interim dividend of 8.5 cents per ordinary share (up 1.0 cent or 13.3% on the prior year). The dividend will be paid on 27 November to all shareholders on the register on 13 November 2015. A supplementary dividend of 1.5 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

All four of the company's brands now have sales and profit momentum that is expected to continue for the balance of this financial year.

KFC is expected to maintain positive same store sales growth, although not at the levels enjoyed in the first half year as it rolls over strong prior year results. Input prices are expected to remain stable for the balance of the year and margins are expected to be sustained.

Pizza Hut is expected to deliver modest same store sales growth; however RBD will see total earnings impacted by the continued sell down programme.

Starbucks Coffee sales growth is anticipated to continue, although there will be some margin pressure from the weaker exchange rate.

Carl's Jr. will see one further store (the first in Christchurch) opened in the second half of the year. Profitability will improve in the second half with improved operational efficiencies and higher sales volumes.

The strong sales trends enjoyed in the first two quarters of this year have continued into the third quarter, benefitting margins and efficiencies in our stores. The improved first half profit performance (absent any major changes to economic or market conditions) is expected to be sustained. This will result in a Net Profit after Tax for the 2016 financial year (excluding unusual items) in excess of $24 million.

For further information, please contact:

Russel Creedy
CEO
Phone: 525 8700

Grant Ellis
CFO/Company Secretary
Phone: 525 8700

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RESTAURANT BRANDS GROUP
Consolidated Income Statement
For the 28 week period ended 14 September 2015 (2016 Half Year)

Group $NZ000's	(28 weeks) Unaudited 1st Half 2016 14 September 2015	% sales	vs Prior %	(28 weeks) Unaudited 1st Half 2015 8 September 2014	% sales
Sales					
KFC	153,171		*11.7*	137,107	
Pizza Hut	24,543		*(7.3)*	26,486	
Starbucks Coffee	13,910		*5.2*	13,228	
Carl's Jr.	18,388		*107.9*	8,846	
Total sales	**210,012**		*13.1*	**185,667**	
Other revenue	8,392		*31.6*	6,376	
Total operating revenue	**218,404**		*13.7*	**192,043**	
Cost of goods sold	(178,862)		*(13.8)*	(157,148)	
Gross margin	**39,542**		*13.3*	**34,895**	
Distribution expenses	(1,287)		*4.5*	(1,347)	
Marketing expenses	(10,830)		*(14.8)*	(9,436)	
General and administration expenses	(8,696)		*(11.3)*	(7,814)	
EBIT before non-trading	**18,729**		*14.9*	**16,298**	
Non-trading	250		*221.4*	(206)	
EBIT	**18,979**		*17.9*	**16,092**	
Net financing expenses	(616)		*(42.3)*	(433)	
Net profit before tax	**18,363**		*17.3*	**15,659**	
Taxation expense	(4,953)		*(18.9)*	(4,164)	
Total profit after tax (NPAT)	**13,410**		*16.7*	**11,495**	
Total NPAT excluding non-trading	**13,093**		*13.8*	**11,502**	
EBITDA before G&A					
KFC	30,855	*20.1*	*17.8*	26,198	*19.1*
Pizza Hut	2,836	*11.6*	*(13.3)*	3,271	*12.3*
Starbucks Coffee	2,193	*15.8*	*6.9*	2,052	*15.5*
Carl's Jr.	96	*0.5*	*12.9*	85	*1.0*
Total	**35,980**	***17.1***	***13.8***	**31,606**	***17.0***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	54.0c			48.6c	

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.

Non-GAAP Financial Measures
For the 28 week period ended 14 September 2015

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 **Concept EBITDA before G&A**.

   The term **Concept** 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 on a consistent basis.

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*	2016 Half Year	2015 Half Year
EBITDA before G&A	1	**35,980**	**31,606**
Depreciation		(8,984)	(7,800)
Loss on sale of property, plant and equipment (included in depreciation)		-	(4)
Amortisation (included in cost of sales)		(932)	(861)
G&A - area managers, general managers and support centre		(7,335)	(6,643)
EBIT before non-trading	2	**18,729**	**16,298**
Non-trading items **	3	**250**	**(206)**
EBIT after non-trading items	4	**18,979**	**16,092**
Net financing costs		(616)	(433)
Net profit before taxation		**18,363**	**15,659**
Income tax expense		(4,953)	(4,164)
Net profit after taxation		**13,410**	**11,495**
(Deduct) / add back non-trading items		(250)	206
Taxation credit on non-trading items		(67)	(199)
Net profit after taxation excluding non-trading items	5	**13,093**	**11,502**

* 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.