Directors' Report to Shareholders
For the 28 Weeks ended 11 September 2017
(1H 2018)

Key Points

	1H 2018	1H 2017	Change ($)	Change (%)
Total Group Sales ($m)	**386.1**	**256.2**	**+129.9**	**+50.7**
Group NPAT (reported) ($m)	**19.1**	**13.5**	**+5.6**	**+41.3**
Group NPAT (excl. non-trading) ($m)	**20.2**	**15.9**	**+4.2**	**+26.5**
Dividend (cps)	**10.0**	**9.5**	**+0.5**	**+5.3**

- Net Profit after Tax for the 28 weeks ended 11 September 2017 (1H 2018) was $19.1 million (15.5 cents per share), up $5.6 million or +41.3% on the prior period (1H 2017).

- Net Profit (excluding non-trading items) was $20.2 million (16.4 cents per share), up $4.2 million or +26.5% on the prior period.

- Total Group Sales were $386.1 million, up 50.7% on the previous half year, with the bulk of the increase attributable to the Pacific Island Restaurants Inc. (**PIR**) acquisition in Hawaii and the full impact of the Australian operations which were acquired part way through 1H 2017.

- Combined brand EBITDA was up $17.7 million to $63.0 million with $12.7 million of the increase resulting from the PIR acquisition, the Australian KFC business accounting for a further $3.4 million and the New Zealand businesses driving the remaining $1.6 million.

- Directors have declared an interim dividend of NZ10.0 cents per ordinary share, up NZ0.5 cents on last year. The dividend is fully imputed and payable on 30 November 2017.

Group Operating Results

Directors are pleased to report that Restaurant Brands New Zealand Limited (**RBD**) has produced a first half unaudited net profit after tax for the 28 weeks ended 11 September 2017 (1H 2018) of $19.1 million (15.5 cents per share). This compares with a reported NPAT of $13.5 million (13.3 cents per share) for the prior half year.

After allowing for the impact of non-trading items the underlying NPAT was $20.2 million (16.4 cents per share), up $4.2 million or +26.5% on prior year.

Total brand sales for the Group were $386.1 million, up $129.9 million or +50.7% on 1H 2017 with the benefit of $88.9 million in sales from the recent Hawaiian acquisition (of PIR) effective from 7 March 2017, and strong performance in the KFC operations in Australia and New Zealand which delivered increased sales of $28.3 million and $12.8 million, respectively. Total operating revenue was $399.9 million, up $133.1 million on prior year.

Combined brand EBITDA at $63.0 million was $17.7 million (+39.1%) up on prior year, largely because of a $12.7 million contribution from the newly acquired Hawaiian operations.

The Board is pleased with the progress and integration of the three business units for the first six months of this new financial year, following completion of the Hawaiian business purchase in March 2017.

Restaurant Brands' store numbers at balance date totalled 297, comprising 168 in New Zealand, 82 in Hawaii and 47stores in Australia.

New Zealand Operations

New Zealand operating revenue was $239.1 million, up $15.8 million or +7.1% on 1H 2017.

Total store sales were $225.4 million, an increase of $12.8 million or +6.0% on last year, delivering EBITDA of $39.7 million (17.6% of sales); a $1.6 million or +4.3% improvement on 1H 2017 driven mainly by the continued strong performance of the KFC business.

New Zealand operations produced an EBIT (before non-trading items) of $22.2 million, up 14.2% on the prior year.

KFC New Zealand

	1H 2018	1H 2017	Change ($)	Change (%)
Network Sales ($m)	**180.8**	**167.1**	**+13.7**	**+8.2**
Network Store Numbers	**98**	**97**		
RBD Sales ($m)	**170.3**	**157.4**	**+12.9**	**+8.2**
RBD Store Numbers	**92**	**91**		
RBD EBITDA ($m)	**35.0**	**33.1**	**+1.9**	**+5.7**
EBITDA as a % of Sales	***20.5***	***21.0***	**-**	**-**

Restaurant Brands' KFC New Zealand sales were $170.3 million, up 8.2% or $12.9 million on prior year with same store sales up 7.0%. Successful product promotions and the introduction of a delivery service in selected stores contributed to a strong first half sales performance.

Margins remained strong, albeit slightly down in percentage terms on the equivalent period last year, with an EBITDA margin of 20.5% of sales being delivered in the period. In dollar terms EBITDA totalled $35.0 million, up $1.9 million (+5.7%) on last year's result.

Both company-owned and total network store numbers increased by one to a total of 92 and 98 respectively with the opening of a new store in Rolleston in 2H 2017. Immediately after balance date, KFC opened a new format store in Fort Street Auckland. Especially customised for a central city environment with no drive-through facility, this store has significantly outperformed expectations and is expected to be the prototype for a number of similar central city stores.

Pizza Hut New Zealand

	1H 2018	1H 2017	Change ($)	Change (%)
Network Sales ($m)	**54.9**	**48.9**	**+6.0**	**+12.3**
Network Store Numbers	**94**	**90**		
RBD Sales ($m)	**22.9**	**22.0**	**+0.9**	**+3.8**
RBD Store Numbers	**34**	**37**		
RBD EBITDA ($m)	**2.0**	**2.4**	**-0.4**	**-18.4**
EBITDA as a % of Sales	***8.6***	***11.0***	**-**	**-**

Restaurant Brands' Pizza Hut store sales were up $0.9 million to $22.9 million, despite a reduction in the store network to 34 stores from further sales to independent franchisees. Same store sales from Restaurant Brands' stores were up 10.6%.

Restaurant Brands' Pizza Hut store earnings were $2.0 million (8.6% of sales), down $0.4 million or 18.4% on the equivalent period last year reflecting the cost pressures encountered in the first half of the year, particularly in relation to increased labour rates and ingredient costs.

Total Pizza Hut network sales climbed to $54.9 million for the half year, up $6.0 million (+12.3%) on prior year. Company owned store numbers reduced by one to 34 during the period. The number of independent franchisees has increased to 60, bringing the total network at balance date to 94 stores.

Negotiations with the franchisor, Yum! Restaurants International, on the establishment of a master franchise agreement for the New Zealand market are well advanced and expected to be concluded shortly.

Starbucks Coffee New Zealand

	1H 2018	1H 2017	Change ($)	Change (%)
Sales ($m)	**13.4**	**13.8**	**-0.4**	**-2.6**
EBITDA ($m)	**2.2**	**2.2**	**+0.0**	**+0.4**
EBITDA as a % of Sales	***16.5***	***16.0***	**-**	**-**
Store Numbers	**23**	**25**		

Note: all Starbucks Coffee stores are RBD owned

Starbucks Coffee saw same store sales growth over the period of +6.5%.

Total sales were down marginally on 1H 2017 by $0.4 million (-2.6%) to $13.4 million, reflecting the reduced store network to 23 stores, following the closure of the Aotea Square and Botany stores in Auckland.

Margins improved slightly with continuing sales leverage and store efficiencies. The brand achieved an EBITDA of $2.2 million (16.5% of sales), up slightly on 1H 2017.

Discussions between the company and franchisor concerning renewal options for the Starbucks Coffee franchise are currently in process.

Carl's Jr. New Zealand

	1H 2018	1H 2017	Change ($)	Change (%)
Sales ($m)	**18.8**	**19.3**	**-0.5**	**-2.8**
EBITDA ($m)	**0.6**	**0.4**	**+0.2**	**+58.2**
EBITDA as a % of Sales	***3.0***	***1.8***	**-**	**-**
Store Numbers	**19**	**20**		

Note: all Carls' Jr. stores are RBD owned

Progress continues to be made in building Carl's Jr. into a profitable, sustainable brand in New Zealand. Although sales were down 2.8% (-2.3% on a same store basis), this is a reflection of rolling over the new opening volumes for two stores opened in Christchurch last year, and strong sales driven by a higher level of promotional activity in the equivalent period last year. In contrast, the focus in the first half of 2018 has been on generating more profitable sales rather than driving sales through discounting and promotional activity. Accordingly EBITDA was $0.6 million (3.0% of sales), an increase of $0.2 million or +58.2% on last year.

Store numbers now total 19 following the closure of the Otahuhu store in 2H 2017.

Australia Operations

In NZ$ terms the Australian business (operating the KFC brand) contributed total sales of $NZ71.9 million, EBITDA (after G&A expenses) of $NZ7.9 million and EBIT of $NZ4.5 million. These results are all significantly up on prior year, primarily because the acquisition of this business took place part way through 1H 2017.

KFC Australia

	1H 2018	1H 2017	Change ($)	Change (%)
Sales ($Am)	**66.7**	**41.4**	**+25.3**	**+61.1**
Store EBITDA ($Am)	**9.8**	**6.9**	**+2.9**	**+43.2**
EBITDA as a % of Sales	***14.7***	***16.6***	**-**	**-**
Store Numbers	**47**	**42**		

In A$ terms total sales of the KFC business in Australia were $A66.7 million, up $A25.3 million (or +61.1%) on last year, reflecting both increased store numbers following the acquisition of the business assets of five stores at the start of this financial year, and the full impact of the acquisition of QSR Pty Limited which only became effective part way through 1H 2017. Same store sales are +5.8%.

Store EBITDA margins of $A9.8 million (14.7% of sales) are up A$2.9 million or +43.2% on last year.

As part of the Australian market expansion strategy, the company has negotiated the purchase of the business assets of a further 13 KFC stores in New South Wales, Australia at a total price of $A38.2 million. Of these seven have settled since balance date with a further six expected to settle in the third quarter. The purchases have been funded through bank debt facilities. With the successful completion of these transactions, together with the opening of a further new store early in the third quarter, the company-owned KFC store network in Australia will total 61 stores.

Hawaii Operations

Restaurant Brands acquired PIR in Hawaii with effect from 7 March 2017 and the reported trading results are from that date. The Hawaiian business operates 82 stores under the Taco Bell and Pizza Hut brands.

Total sales in Hawaii in the period since acquisition were $US63.9 million with store level EBITDA of $US9.1 million generated equating to 14.3% of sales; in line with expectations at the time of purchase.

In NZ$ terms the newly-acquired Hawaiian operations contributed $NZ89.0 million in revenues, $NZ8.5 million in EBITDA (after G&A expenses) and an EBIT of $NZ5.4 million since acquisition.

Taco Bell Hawaii

	1H 2018	1H 2017	Change ($)	Change (%)
Sales ($USm)	**36.6**	**-**	**+36.6**	**n/a**
Store EBITDA ($USm)	**7.2**	**-**	**+7.2**	**n/a**
EBITDA as a % of Sales	***19.6***	**-**	**-**	**-**
Store Numbers	**37**	**-**		

Taco Bell is a new brand for the Restaurant Brands Group and is performing well with total sales to date of $US36.6 million and store-level EBITDA of $US7.2 million (19.6% of sales). A strong promotional pipeline has helped drive solid sales.

The company has embarked on a store rebuild and refurbishment strategy for these stores in the same vein as was undertaken for the KFC business in New Zealand. The one store that has been significantly transformed to date is currently delivering same store sales growth of +60%.

Pizza Hut Hawaii

	1H 2018	1H 2017	Change ($)	Change (%)
Sales ($USm)	**27.3**	**-**	**+27.3**	**n/a**
Store EBITDA ($USm)	**1.9**	**-**	**+1.9**	**n/a**
EBITDA as a % of Sales	***7.1***	**-**	**-**	**-**
Store Numbers	**45**	**-**		

The Pizza Hut business in Hawaii has integrated well into the Group’s operations. There has been some margin pressure from participating in value-led marketing promotions together with some higher commodity costs and rising direct labour expense.

Total sales were $US27.3 million with store-level EBITDA of $US1.9 million.

As with Taco Bell, the company is embarked on an asset refurbishment strategy that will see a move away from the larger restaurants into smaller, more cost-effective delivery and carry out (delco) units.

Corporate & Other

General and administration (G&A) costs were $18.5 million. The increase in the G&A cost base resulted from the Hawaiian acquisition ($4.0 million), the full impact of Australian operations which was purchased part way through 1H17 ($1.0 million), and the new corporate structure established during the period to meet the demands arising from the changes in size and geography of the Group’s operations. G&A as a % of total revenue was 4.6%.

Depreciation charges of $15.5 million for the half year were $4.0 million higher than the prior year, of which the Hawaiian business accounted for $3.1 million.

Financing costs of $2.7 million were up $1.3 million on prior year reflecting the higher borrowings required to fund the PIR acquisition.

Tax expense was $8.3 million, up $2.3 million on the prior year with higher reported profit levels. The effective tax rate of 30.2% reflects the increased proportion of profits that are generated off-shore, and the (one off) impact of non-trading items, with the rate on earnings excluding non-trading items at 29.8%.

Non-Trading Items

Non-trading expenditure for the half was $1.3 million, a reduction of $1.1 million on prior year. This year's amount included transaction costs on the PIR acquisition and listing fees and legal costs relating to the dual listing of the company on the Australian Securities Exchange (**ASX**). These costs were partially offset by a realised FX gain arising from the forward contracts used in the PIR acquisition.

Cash Flow & Balance Sheet

The composition of the Group's balance sheet has been impacted by the acquisition of Pacific Island Restaurants Inc. on 7 March 2017. This transaction, which was for a total purchase price of $NZ149.9 million (after settlement adjustments), was funded through cash raised from the issue of shares by a renounceable entitlement offer and private placement carried out in the previous financial year, together with additional debt facilities.

Bank debt at the end of the half year was consequently up to $133.1 million compared to $46.5 million at the previous year end. As at balance date, the Group had available bank debt facilities totalling $209.0 million in place. A further $A50 million facility with Bank of Tokyo-Mitsubishi for the purpose of funding the KFC acquisitions in Australia was finalised after balance date.

Operating cash flows were up $6.9 million to $37.6 million reflecting the Group's increased profitability.

Net investing cash outflows at $115.4 million (versus $72.5 million last year) primarily reflect the impact of the PIR acquisition with a cash impact of $96.4 million (net of bank loans assumed as part of the transaction). Cash inflows for the period saw $0.4 million received from the sale of one Pizza Hut store.

Dividend

Directors have declared a fully imputed interim dividend of NZ10.0 cents per ordinary share (prior year NZ9.5 cents), payable on 30 November to all shareholders on the register on 10 November 2017. A supplementary dividend of NZ1.7648 cents per share will be paid to all overseas shareholders at the same time.

Directors have also approved the application of the recently constituted dividend reinvestment plan to this dividend. For those participating in the plan, shares will be issued in lieu of dividend at a discount of 1.5% to the pre-closing seven trading days NZX volume-weighted-average price (VWAP).

Outlook

The current strategies across all geographic markets are delivering positive results.

The acquisition of the Taco Bell and Pizza Hut brands in Hawaii has made a pleasing contribution in the first period of ownership, with the strong performance of the KFC brand in Australia and New Zealand expected to continue in the second half.

Directors believe that, absent any major changes to economic or market conditions, the Group will deliver a Net Profit after Tax (excluding non-trading items) for the FY18 year of around $40 million.

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RESTAURANT BRANDS GROUP
Consolidated Income Statement
For the 28 week period ended 11 September 2017

Group $NZ000's	(28 weeks) Unaudited 1st Half 2018 11 September 2017		vs Prior %	(28 weeks) Unaudited 1st Half 2017 12 September 2016	
Sales					
KFC	170,307		*8.2*	157,417	
Pizza Hut	22,862		*3.8*	22,023	
Starbucks Coffee	13,425		*(2.6)*	13,784	
Carl's Jr.	18,803		*(2.8)*	19,338	
Total New Zealand sales	**225,397**		*6.0*	**212,562**	
KFC	71,864		*64.8*	43,596	
Total Australia Sales	**71,864**		*64.8*	**43,596**	
Taco Bell	50,950		*100.0*	-	
Pizza Hut	37,919		*100.0*	-	
Total Hawaii Sales	**88,869**		*100.0*	**-**	
Total Sales	**386,130**		*50.7*	**256,158**	
Other revenue	13,804		*29.0*	10,703	
Total operating revenue	**399,934**		*49.9*	**266,861**	
Cost of goods sold	(327,387)		*(51.2)*	(216,559)	
Gross margin	**72,547**		*44.2*	**50,302**	
Distribution expenses	(1,713)		*(13.4)*	(1,510)	
Marketing expenses	(20,909)		*(42.5)*	(14,678)	
General and administration expenses	(18,537)		*(70.3)*	(10,885)	
EBIT before non-trading	**31,388**		*35.1*	**23,229**	
Non-trading	(1,338)		*43.8*	(2,379)	
EBIT	**30,050**		*44.1*	**20,850**	
Net financing expenses	(2,687)		*(95.3)*	(1,376)	
Net profit before taxation	**27,363**		*40.5*	**19,474**	
Taxation expense	(8,277)		*(38.7)*	(5,967)	
Total profit after taxation (NPAT)	**19,086**		*41.3*	**13,507**	
Total NPAT excluding non-trading	**20,157**		*26.5*	**15,935**	
		% sales			**% sales**
EBITDA before G&A					
KFC	34,991	*20.5*	*5.7*	33,117	*21.0*
Pizza Hut	1,970	*8.6*	*(18.4)*	2,413	*11.0*
Starbucks Coffee	2,218	*16.5*	*0.4*	2,209	*16.0*
Carl's Jr.	557	*3.0*	*58.2*	352	*1.8*
Total New Zealand	**39,736**	***17.6***	*4.3*	**38,091**	***17.9***
KFC	10,592	*14.7*	*46.5*	7,230	*16.6*
Total Australia	**10,592**	***14.7***	***46.5***	**7,230**	***16.6***
Taco Bell	10,016	*19.7*	*100.0*	-	-
Pizza Hut	2,704	*7.1*	*100.0*	-	-
Total Hawaii	**12,720**	***14.3***	***100.0***	**-**	-
Total	**63,048**	***16.3***	***39.1***	**45,321**	***17.7***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	(22.2)c			14.1c	

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 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 11 September 2017 (2018 Half Year)

The Group results are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("GAAP") and comply with International Financial Reporting Standards ("IFRS"). These 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 stable of brands within the New Zealand (KFC, Pizza Hut, Starbucks Coffee and Carl's Jr.), Hawaii (Taco Bell, Pizza Hut) and Australia (KFC) geographic segments. 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 Taxation ("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***	**2018 Half Year**	**2017 Half Year**
EBITDA before G&A	1	**63,048**	**45,321**
Depreciation		(15,490)	(11,470)
Loss on sale of property, plant and equipment (included in depreciation)		-	(38)
Amortisation (included in cost of sales)		(1,304)	(1,392)
General and administration - area managers, general managers and support centre		(14,866)	(9,192)
EBIT before non-trading	2	**31,388**	**23,229**
Non-trading items **	3	**(1,338)**	**(2,379)**
EBIT after non-trading items	4	**30,050**	**20,850**
Net financing costs		(2,687)	(1,376)
Net profit before taxation		**27,363**	**19,474**
Income tax expense		(8,277)	(5,967)
Net profit after taxation		**19,086**	**13,507**
Add back non-trading items		1,338	2,379
Income tax on non-trading items		(267)	49
Net profit after taxation excluding non-trading items	5	**20,157**	**15,935**

* Refers to the list of non-GAAP measures as listed above.
** Refer to Note 3 of the interim financial statements for an analysis of non-trading items