

The Role of the Franchisee and the Franchise Agreement



As a Franchisee you will be our direct link to customers. You will turn our message of quality, value and fun into customer experiences.

That's why we select people who have a passion for the business and share our vision.

We choose Franchisees who enjoy working with people in a collaborative environment, yet who understand the necessity of complying with our brand standards. We seek people who understand the integrity and trust that is necessary to any successful business relationship.

When our customers walk through the door of a KFC or Pizza Hut restaurant, they expect the food they crave, friendly service, and a fun, casual atmosphere.

And they expect it every time at every restaurant!

To make these expectations a reality, we look for the following in our Franchisees:

- A working knowledge of the food service, hospitality, or retail industry
- An understanding of the local marketplace, culture and community
- A long-term interest to own and operate the franchise
- The financial and human resources to support an aggressive growth agenda
- People who care about people and who can share our cultural values

By passionately adhering to Yum! methods for operations and training, you will strengthen your own business, build equity in the brand, and help build the profitability of your expertise.

To succeed as a Yum! Franchisee, you must at a minimum:

■ **Design, build and equip your restaurant to Yum! Specifications**

Franchisees work closely with Yum! Consultants to select and develop sites

■ **Train key operators using Yum's training courses**

Our training programme is a unique approach to developing customer-focused teams

■ **Operate the Franchise according to Yum! Standards**

It takes discipline and adherence to established processes to turn raw ingredients into food that people crave and a brand that people trust

■ **Share your knowledge and expertise**

We value your input and ideas, and we expect you to contribute ideas to improve our businesses

The Franchise agreement

This gives you the rights to use the Trademarks, the Operational system and manuals.

- **Term:** 10 years plus franchise option for a further 10 years
- **Royalty:** 6% of sales
- **Marketing:** Contribution to the Marketing Fund
- **Fee:** \$38,300 (as at 2004) on the opening of a restaurant
- **Investment cost:** This varies by the brand type and location. Typically €300,000 - €1,500,000
- **Conditions:** No operating of competing brands or sub franchising

Full details are outlined in the International Franchise Agreement



The Pizza Hut brand

The secret of Pizza Hut's phenomenal international success boils down to one thing – our pizzas, or, to be more precise, our commitment to delivering pizzas that our customers crave.

For us, that means continually innovating and breaking new ground. You need only look at our unique and diverse product range to see that.



The variety of pizzas with different crusts on offer are a key element in Pizza Hut's success. There's the famous Grand Pan Pizza, The Italian, The Stuffed Crust, The Big New Yorker and more recently The Edge.



All the pizzas have toppings applied in store and are then freshly baked to order

Ice Cream Factory



Ice Cream Factory:
All the ice cream you can eat with delicious sauces and toppings. Kids can enjoy a self-service machine

In addition there are a variety of other products on the menu as well.

- Starters: Chicken Wings, Garlic Bread, Potato Wedges...
- Pastas
- Salads
- Desserts
- Drinks: Soft drinks, alcoholic drinks, tea and coffee
- Children's Meals



The Salad Bar

As well as being a well known Pizza Hut icon the Salad bar enables the customer to create their own personal side dish.





THE KFC HERITAGE

In the beginning...

Colonel Harland Sanders, born in 1890, began at age 40, cooking for hungry travellers at his service station in Corbin Kentucky. He later moved across the street to a motel and restaurant that seated 142 people, and over the next 9 years perfected his secret blend of eleven herbs and spices and the basic cooking technique that is still used today.



As it grew...

Harland Sanders fame grew and in 1935 he was made a Kentucky Colonel for his contributions to the state's cuisine.

Confident of the quality of his fried chicken he then, aged 62 devoted himself to his chicken franchising business and travelled across the country by car cooking batches of chicken and making 'handshake' deals.

The Franchise: a miracle solution!

By 1964, Colonel Sanders had more than 600 franchised outlets in the United States and Canada and that year he sold his interest in the company but remained a public spokesman for the company until his death in 1980.

Explosive international growth

By the time KFC was acquired by PepsiCo in 1986, it had grown to approximately 6,600 outlets in 55 countries and territories.

KFC is now the largest chicken restaurant brand with over 13,000 outlets worldwide.



THE PIZZA HUT HERITAGE

How it all started...

The legacy of Pizza Hut began in 1958, when two college aged brothers from Wichita, Kansas read an article in the Saturday Evening Post about a new craze called 'Pizza'. Inspired by this they borrowed \$600 from their mother, bought some second-hand equipment and opened the first Pizza Hut restaurant in Wichita.



When they were setting up, they only had room for 25 seats - and the restaurant sign only had space for nine letters. They wanted 'Pizza' in the name, which left space for just 3 more letters. Because the building looked like a hut, Pizza Hut was born.

One year later the first franchise was sold.

Growing internationally...

1969 also saw the first international restaurants built in Germany, Mexico and Australia and two years later Pizza Hut became the largest pizza chain in the world and by 1973 the first units opened in Japan and England.



Pizza Hut is now the largest pizza restaurant brand with over 12,000 outlets worldwide.





The Process of becoming a Yum franchisee



Next Steps

Start by completing the attached Franchise Application form and send it to the Business Development Manager at Yum.

Further information can be found on our websites at the following Addresses.

- www.yrigfp.com – (Franchising)
- www.yum.com – (Corporate)
- www.kfc.com
- www.pizzahut.com

There are also various local websites in German

- www.kfc.de
- www.pizzahut.de

and in French.

- www.kfc.fr
- www.pizzahut.fr



Yum! Brands

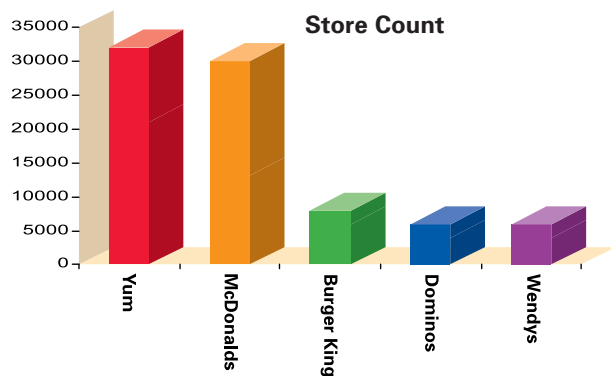
The World's largest restaurant group



International

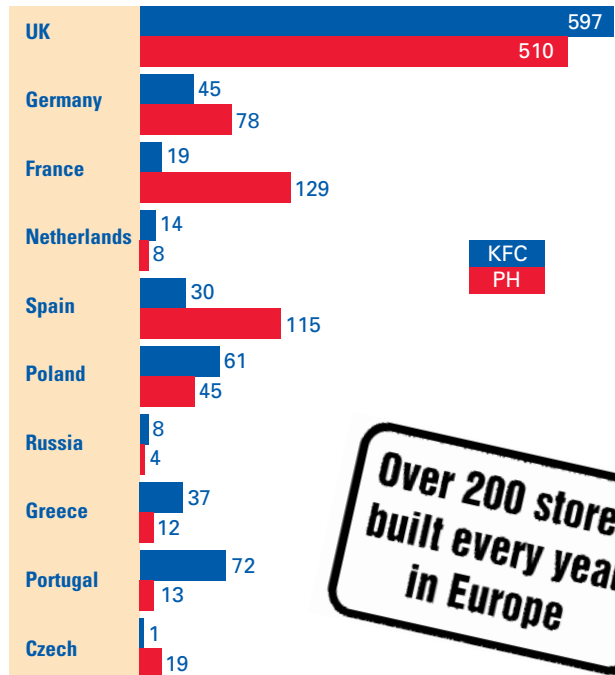
YUM! Brands operates in over a 100 countries with yearly system sales exceeding 24 billion US\$. Its stores are 80% franchised and there are over 1000 new builds worldwide each year.

YUM Restaurants International has become the world's largest restaurant chain in terms of units.



Stores in Europe

YUM! Brands operates over 2000 units in Europe and are building over 200 new units every year.

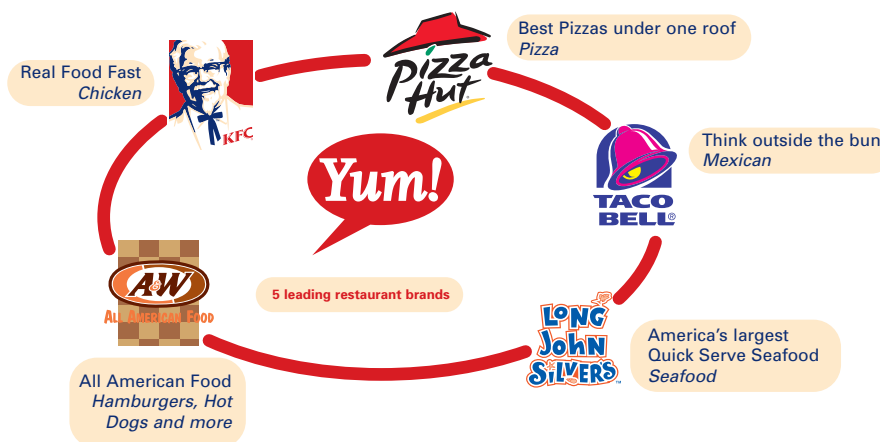


Over 200 stores built every year in Europe

Key Market store numbers as at 2004

The brands

Four of the brands – KFC, Pizza Hut, Taco bell and LJS are global leaders in their category.



Site Criteria

Restaurants located in the city centre

- 280 - 425 m² (200m² at ground floor level)
- Busy main streets or shopping centres
- 12m frontage minimum
- Prime or good secondary locations



Delivery unit

- 100 - 150 m²
- 6m frontage
- Large population within 8 Minutes drive time
- Close to residential and commercial activity



Freestanding Restaurant:

- Minimum land area of 2400m²
- 300 - 450 m² building size
- High car traffic flows
- Minimum of 40 car parking spaces
- Close to retail and leisure generators
- Local residential population
- High visibility & accessibility



The site plan below shows the car parking spaces, the landscaping, the terrace, the kids play area and the close proximity to a busy city by-pass.

