

PRESS RELEASE

FOR IMMEDIATE CIRCULATION

Westlife Development Ltd First Quarter Sales Up At ₹2,009 Million Restaurant Base Expanded to 189

Mumbai, August 1, 2014: Westlife Development Limited (WDL), a company listed on the Bombay Stock Exchange (BSE: 505533), today announced its unaudited financial and operating results for the quarter ending June 30, 2014. The results were taken on record by the Board of Directors at a meeting held in Mumbai, today.

WDL recorded a revenue growth of 1.3 per cent to ₹2,008.6 million Y-o-Y (year-over-year), riding on the restaurant operations of its subsidiary, Hardcastle Restaurants Pvt. Ltd. (HRPL), a master franchisee for west & south India operations of McDonald's Restaurants.

During the quarter, WDL focused on expanding its restaurant network along with maintaining high levels of efficiency and productivity, instilling customer-centricity and disciplined execution in the restaurant. The company continued to build on its product and service innovations to grow its offerings and constantly cater to the growing consumer needs.

Commenting on the financial results for the first quarter ended June 30, 2014, Mr. Amit Jatia, Vice-Chairman of Westlife Development Limited said, *“The Indian food service industry is witnessing exciting times and we are energized about the business and the enormous potential available in the market. While in the short term the Informal Eating Out (IEO) segment has been sluggish, we have successfully maintained and grown our share in key markets, thereby further strengthening our position in the Quick Service Restaurant (QSR) industry.*

Our first quarter results emphasize our commitment towards driving long-term sustainable growth backed with clear strategies and well-focussed execution at the restaurants. Our growth is accompanied by aggressive cost containment strategies driving efficient unit economics.

We relentlessly focussed our efforts and brand investments in the right opportunities and on driving operational efficiencies - reduction in food, paper and distribution costs along with increased efficiency in product management and menu pricing - resulted in gross margin expansion of ~175 bps in Q1FY15.

Strategic investments in formats such as Drive-Thru's and Brand Extensions have helped us create a portfolio that builds brand differentiation and yields long term results for WDL.

Looking ahead, given that the Indian economy is at the cusp of improvement, we believe the future holds potential for growth and WDL is well positioned to capture the demand in the industry. We expect an uptick in discretionary spends which will further boost our growth and economies of scale will aid operating margin.

FINANCIAL HIGHLIGHTS FOR QUARTER ENDED JUNE 30, 2014:

- Revenue growth of 1.3 per cent to ₹2,008.6 million
- Operating EBIDTA stood at ₹121.0 million
- Profit After Tax (PAT) stood at ₹ (13.4) million
- Cash Profit stood at ₹105.2 million
- Total restaurants at 189; gross addition of 29 new restaurants Y-o-Y; Q1FY15 addition at 05

Q1FY15 RESULT ANALYSIS:

- WDL reported 1.3 per cent increase in total revenues in Q1FY15 to ₹2,008.6 million from ₹ 1,983.7 million Y-o-Y. Topline performance growth was driven by restaurant network expansion in the existing & new cities and by significant increase in accruals from new formats & brand extensions and innovative menu additions.
- WDL expanded its restaurant base to 189; Y-o-Y gross additions stood at 29; 05 new restaurant openings in Q1FY15
- System-wide comparable sales (SSSG)^[1] remained under pressure due to the overall dampened economic scenario and stood at -9.0 per cent as against 0.5 per cent in the same quarter of the previous year
- Relentless focus on reduction in food, paper and distribution costs along with increased efficiency in product management and menu pricing helped in improving overall gross margins by ~175bps in Q1FY15 as against the corresponding quarter in the previous fiscal
- Restaurant operating margin^[2] improved by ~55bps Y-o-Y in Q1FY15; gross additions of 29 new restaurants resulted in increased occupancy and utility costs; 48 percent of our total 189 restaurants form a part of the new restaurant base which is less than three years. These restaurants initially open with lower margins and will grow significantly over time contributing positively to the cash flows
- General and administrative expenses in Q1FY15 increased to ₹115.3 million compared to ₹105.8 million Y-o-Y due to investment in people and resources to drive business growth
- Operating EBITDA in Q1FY15 stood at ₹121.0 million compared to ₹118.3 million Y-o-Y; flat operating EBITDA margin Y-o-Y
- Depreciation increased by 26 per cent in Q1FY15 on account of 29 restaurant openings Y-o-Y; resulting in PAT of ₹ (13.4) million
- WDL reported cash and cash equivalents of ~₹1,690.7 million

Further commenting on the financial results Mr. Amit Jatia said, “We are placing great emphasis on strengthening our relationship with our customers. We diligently focussed on building our brand holistically and enhancing the customer experience across our entire business – from menu and service to our value and expanded conveniences - we continued working to make our brand more modern and in step with consumers needs.

During the quarter, we sharpened our strategy of customer centricity and thoughtfully tailored our marketing promotions to remain relevant and appealing to our customers. To celebrate the spirit of FIFA World Cup™ with our customers, we partnered with McDonald's Globally, to change the look of the iconic red French fry packaging with bold, new artwork and unveiled a new Augmented Reality app to reward customers with an engaging, virtual trick-shot challenge. Additionally, we launched the global Player Escort Program for the first time in India which gave an opportunity to a child to experience the FIFA World Cup™ in Rio de Janeiro, Brazil.

In our journey to be accessible whenever and wherever our customers want; we continued to expand our restaurant base with gross additions of 29 new restaurants, taking the total count to 189 in west and south India. We added 05 new restaurants in Q1FY15 with a continued focus on drive-thru formats which help us build on our competitive brand differentiation. We added 02 in Telangana, 01 each in Maharashtra, Karnataka and Gujarat.

We further fortified our efforts across our brand extensions – an important growth lever for us. We continued to expand our McCafé footprint across Mumbai taking the total count to 09. McCafé has been a key factor in accelerating our beverage growth strategy and adding value to our customers' experience; it has also been a key driver in optimizing the use of our restaurants at all hours of operation thereby providing a higher profit margin.

Furthermore, we have taken yet another step to connect with the millennial consumers by strengthening our online capabilities with the launch of our new web ordering platform and mobile ordering app for McDelivery. These convenience led initiatives has contributed positively to the McDelivery business. In the coming years, WDL will continue to invest across the brand extensions to enhance the company's margin profile.

Moving forward, we will continue to manage our business for the long-term, while staying committed to driving near-term growth. Our focus remains on leveraging the hard-earned competitive advantages that differentiate Brand McDonald's in the marketplace. WDL's strong opportunities for continued long-term expansion, combined with an organization-wide focus on driving efficiencies and return on invested capital, position us well to achieve our goal of enhancing shareholder value.”

~ends~

NOTE TO THE EDITORS: Westlife Development Limited and Hardcastle Restaurants follow an April-March fiscal year. The results reported are for the first quarter ended June 30, 2014.

THE FOLLOWING DEFINITIONS APPLY TO THESE TERMS AS USED THROUGHOUT THIS RELEASE:

^[1] Comparable sales (SSSG) represent sales at all restaurants operated by the Company, in operation at least thirteen months excluding those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimaging or remodeling, rebuilding, road construction and natural disasters. The number of weekdays and weekend days, referred to as the calendar shift/trading day adjustment, can impact comparable sales. In addition, the timing of holidays also can impact comparable sales.

^[2] Restaurant Operating Margin represents the total revenue of company operated restaurants less the operating costs of these restaurants (including royalty etc.) before depreciation and corporate overheads; expressed as a percent of total revenue.

WESTLIFE DEVELOPMENT LIMITED
Consolidated Financial Performance

(₹ in millions)

Particulars	For the Quarter ended June 30, 2014	For the Quarter ended June 30, 2013
REVENUES		
Sales	1998.7	1964.4
Other Operating Income	8.6	17.3
Other Trading Revenues	1.3	2.0
TOTAL REVENUES	2008.6	1983.7
OPERATING COSTS AND EXPENSES		
Restaurant Operating Cost and Expenses		
Food & Paper	828.5	852.6
Payroll and Employee Benefits	189.2	179.3
Royalty	74.4	62.1
Occupancy and Other Operating Expenses	679.3	666.6
General & Administrative Expenses	115.3	105.8
Other (Income)/Expenses, (net)	0.9	(1.4)
Other Trading Operating Cost and Expenses	-	0.4
TOTAL OPERATING COSTS AND EXPENSES	1887.6	1865.4
OPERATING EBIDTA	121.0	118.3
Financial Expense (Interest & Bank Charges)	15.7	6.1
Depreciation	118.5	94.2
PROFIT BEFORE TAX	(13.2)	18.0
Taxes	0.2	(0.2)
PROFIT AFTER TAX	(13.4)	18.2
CASH PROFIT	105.2	115.0

About Westlife Development:

Westlife Development Limited (BSE: 505533), focuses on putting up and operating Quick Service Restaurants (QSR) in India through its subsidiary Hardcastle Restaurants Pvt. Ltd. (HRPL). The Company operates a chain of McDonald's restaurants in west and south India, having a master franchisee relationship with McDonald's Corporation USA, through the latter's Indian subsidiary.

Marquee investors such as Arisaig India Fund Ltd, Vontobel Fund and Tree Line Asia Master Fund (Singapore), Ward Ferry Fund, SBI Mutual Fund among others are stakeholders in WDL and the company will continue to broad base its investors over the coming years.

About Hardcastle Restaurants:

Hardcastle Restaurants Pvt Ltd (HRPL) is a McDonald's franchisee with rights to own and operate McDonald's restaurants in India's west and south markets. HRPL has been a franchisee in this part of India since its inception in 1996.

HRPL serves approximately 165 million customers, annually, at its 189 (as of June 30, 2014) McDonald's restaurants in the states of Telangana, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Kerala and parts of Madhya Pradesh, and provides direct employment to over 7,500 employees. McDonald's operates through various formats and brand extensions including standalone restaurants, drive-thru's, 24/7, McDelivery, dessert Kiosks. The menu features Burgers, Finger Foods, Wraps, Hot and Cold Beverages besides a wide range of desserts. Several of the McDonald's Restaurant feature in-house McCafé.

The pillars of the McDonald's system – Quality, Service, Cleanliness and Value – are evident at each of the restaurants where HRPL operates.

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