

Annual Results 2010/11

28 April 2011

EAT SLEEP & DRINK

WHITBREAD

Anthony Habgood

Chairman



EAT SLEEP & DRINK
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Andy Harrison

**Chief
Executive**



**EAT SLEEP & DRINK
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Summary

- **Strong performance in 2010/11**
 - Total sales up 11.5%
 - Underlying PBT up 20.1%
 - Full Year dividend recommended, increase of 17.1%
 - Good returns - WHR up to 12.3% and Costa at 42.2%*
- **We are accelerating growth plans**
 - Strong competitive positions
 - Good return on capital
 - Clear organic growth opportunity

* 28.1% including Coffee Nation acquisition on 2 March 2011

Summary

- **New 5 year growth milestones**
 - Increase Premier Inn UK rooms by 50% to at least 65,000
 - Double Costa global system sales to £1.3bn and stores to 3,500
 - New “capital lite” approach to Premier Inn International
- **Immediate focus to strengthen our brands, customer propositions and efficiency**
- **Continue to improve capital returns**
 - Efficient mix of Premier Inn formats
 - Operational focus on incremental returns

Christopher Rogers

**Group
Finance
Director**



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Summary

	2010/11	2009/10	Change
Underlying profit before tax	£287.1m	£239.1m	20.1%
Profit before tax, pre exceptional	£275.6m	£223.6m	23.3%
EPS underlying (diluted)	116.1p	96.7p	20.1%
Proposed final dividend	33.25p	28.35p	17.3%
Total dividend for year	44.50p	38.00p	17.1%

Summary - Profit & loss

£m	2010/11	2009/10	Change
Revenue*	1,599.6	1,435.0	11.5%
Profit from operations	333.5	283.2	17.8%
Central costs	(22.1)	(18.4)	(20.1)%
Interest	(24.3)	(25.7)	5.4%
Underlying profit before tax	287.1	239.1	20.1%

* Includes exceptional revenue of £4.6m in respect of VAT refund on gaming machine income

Summary - Profit & loss (cont)

£m	2010/11	2009/10	Change
Underlying profit before tax	287.1	239.1	20.1%
Pension finance cost - IAS19	(11.5)	(15.5)	
Profit before tax, pre exceptional	275.6	223.6	23.3%
Taxation	(80.5)	(66.8)	(20.5)%
Net profit, pre exceptional	195.1	156.8	24.4%
Exceptionals	27.0	3.2	
Profit for the year	222.1	160.0	38.8%

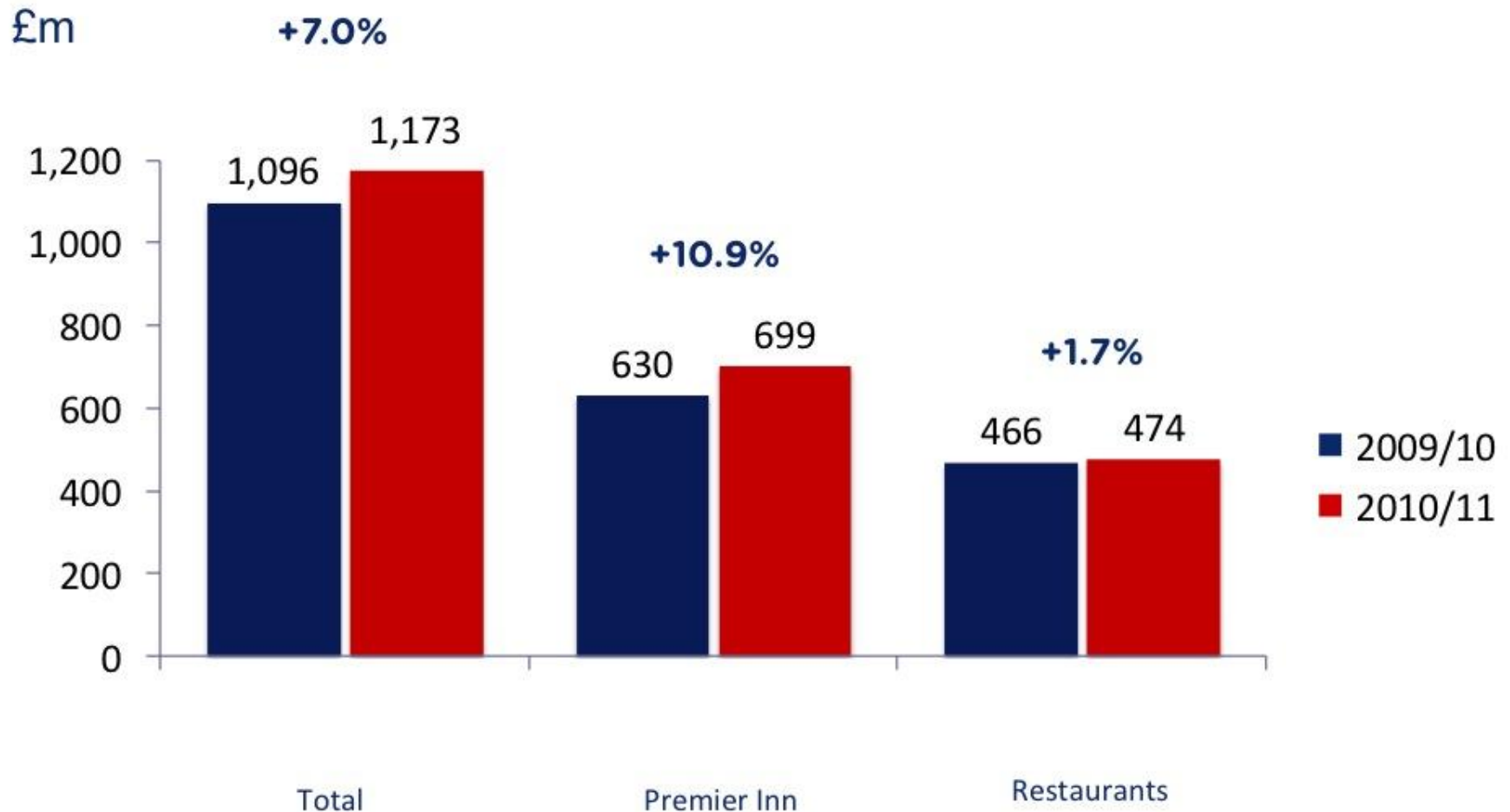
Revenue by business segment

£m	2010/11	2009/10	Change
Hotels & Restaurants* ¹	1,177.3	1,096.0	7.4%
Costa	425.0	340.9	24.7%
Less: inter-segment * ²	(2.7)	(1.9)	
Revenue	1,599.6	1,435.0	11.5%

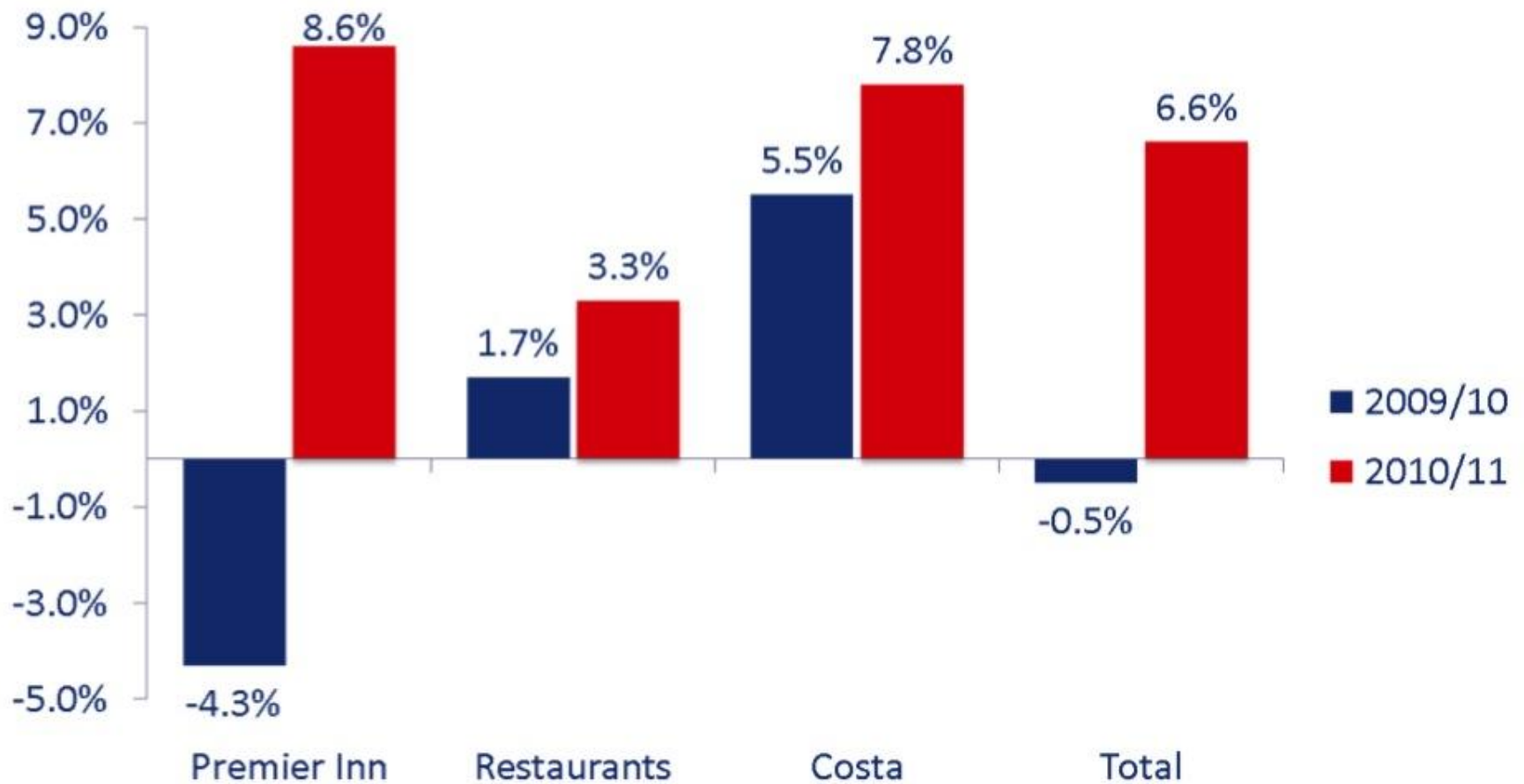
*¹ Includes exceptional revenue of £4.6m in respect of VAT refund on gaming machine income

*² Sales between segments

Hotels & Restaurants pre exceptional revenue



Like for like sales - by business



Unit growth

Unit growth	March 2010	Opened	Closed/ disposed	March 2011
Premier Inn - UK	41,720	2,138	(639)	43,219
Premier Inn - International	1,079	-	(3)	1,076
Total Premier Inn	42,799	2,138	(642)	44,295
Restaurants	373	8	(2)	379
Costa - UK	1,069	165	(17)	1,217
Costa - International	531	182	(59)	654
Total Costa	1,600	347	(76)	1,871

Profit & loss by business segment

£m	2010/11	2009/10	Change
Hotel & Restaurants - UK	288.6	251.6	14.7%
Hotel & Restaurants - International	(5.2)	(4.6)	(13.0)%
Total Hotels & Restaurants	283.4	247.0	14.7%
Costa - UK	47.2	36.0	31.1%
Costa - International	2.9	0.2	
Total Costa	50.1	36.2	38.4%
Profit from operations	333.5	283.2	17.8%

Summary - Underlying profit & loss

£m	2010/11	2009/10	Change
Revenue*	1,599.6	1,435.0	11.5%
Profit from operations	333.5	283.2	17.8%
Central costs	(22.1)	(18.4)	(20.1)%
Interest	(24.3)	(25.7)	5.4%
Underlying profit before tax	287.1	239.1	20.1%

* Includes exceptional revenue of £4.6m in respect of VAT refund on gaming machine income

Interest charge

£m	2010/11	2009/10
Interest on borrowings	(28.5)	(27.3)
Interest credits	4.2	1.6
Underlying interest charge	<u>(24.3)</u>	<u>(25.7)</u>
Pension finance cost IAS19	(11.5)	(15.5)
Interest charge, pre exceptional	<u>(35.8)</u>	<u>(41.2)</u>

* Average debt £451.8m, 2009/10 £569.2m

Exceptional items

£M	2010/11	2009/10
VAT refund re gaming machines	4.6	-
Impairment and asset disposals	(8.1)	(8.1)
Tax related items	31.4	18.8
Other	(0.9)	(7.5)
Exceptional items	27.0	3.2

Cash flow

£m		2010/11	2009/10
Cashflow from operations	- EBITDA	409	361
	- Working capital/other	<u>6</u>	<u>15</u>
		415	376
Cash capital expenditure		(202)	(132)
Business acquisitions		(60)	-
International investment and acquisitions		(3)	(42)
Cashflow after investment		<u>150</u>	<u>202</u>

Cash flow

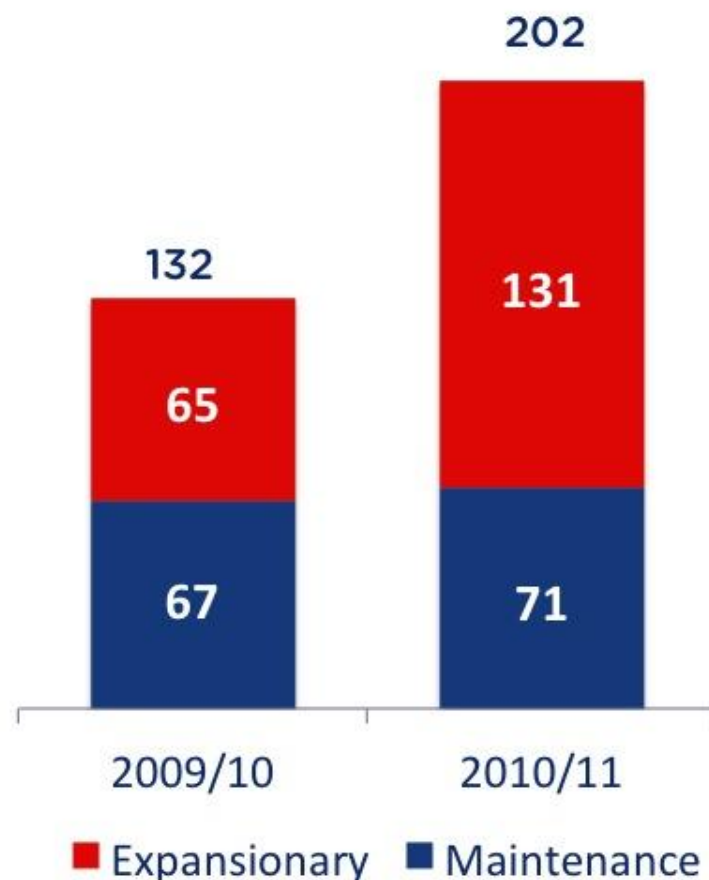
£m	2010/11	2009/10
Cashflow after investment	150	202
Interest, tax and ordinary dividends	(120)	(132)
Pension contributions	(9)	(6)
Disposals / other	5	46
Decrease in net debt	26	110

Capital expenditure

Capex by business £m

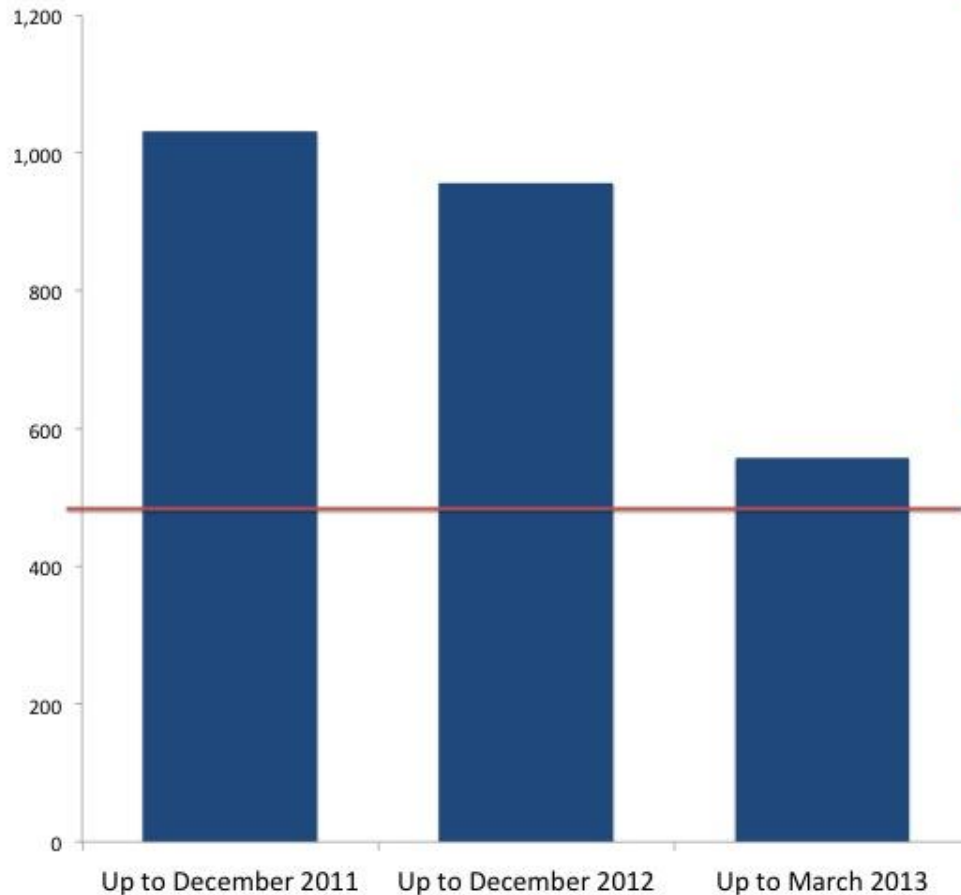


Expansionary vs maintenance £m



Debt maturities

Facilities
£m



- Net debt of £488m at year end
- Undertake further refinancing in 2011
- Lengthen maturities and broaden sources

Pension

- **IAS19 pension deficit £488m (£394m net of tax), compares to £500m (£403m net of tax) at half year**
- **Payment to fund in August 2011 of £55m in line with 2008 triennial valuation**
- **2011 triennial valuation underway**

Other financial items - 2011/12

- Capex of c.£350m for full year
- Sale and leaseback of c.£50m planned for Q2
- Pension fund interest charge £14m
- Underlying effective tax rate of c.27%
- Dividend payments to be rebalanced to better reflect earnings profile
 - Interim dividend to increase from c.25% to c.35% of total payout

Other financial items - 2011/12

- **Underlying cost of inflation of 2-3%**
- **Estimated incremental contribution in 2011/12 of new space opened in 2010/11 and 2011/12:**
 - Hotels & Restaurants c.£10-12m
 - Costa c.£8-10m

Summary

- **Underlying profit before tax £287.1m up 20.1%**
- **EPS, underlying 116.1p up 20.1%**
- **Cash generation of £26m**
- **Proposed Full Year 44.5p, up 17.1%**

Andy Harrison

**Chief
Executive**



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Agenda

Building on success

Growing strong brands

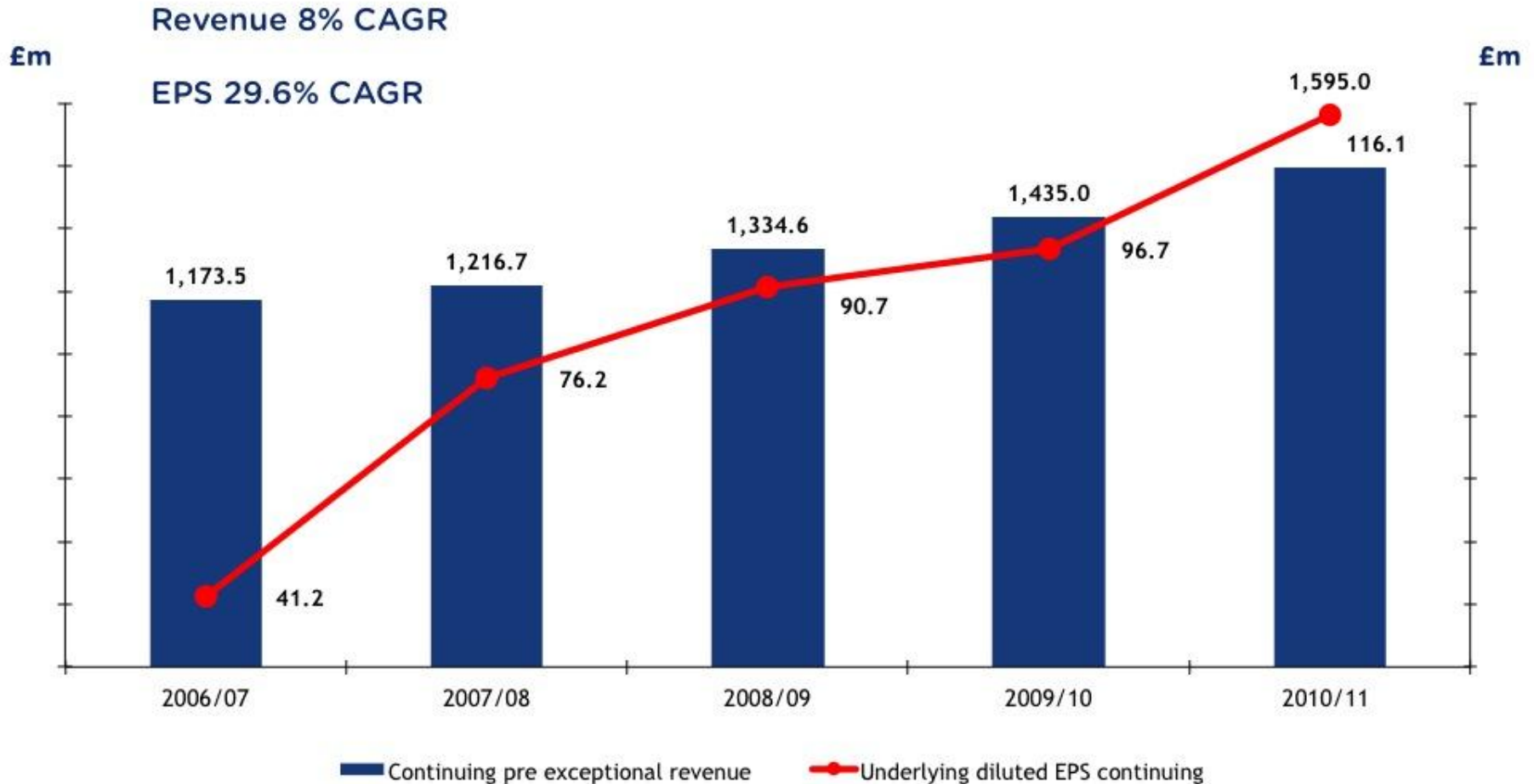
Driving returns

Financial policies

Current outlook

Summary

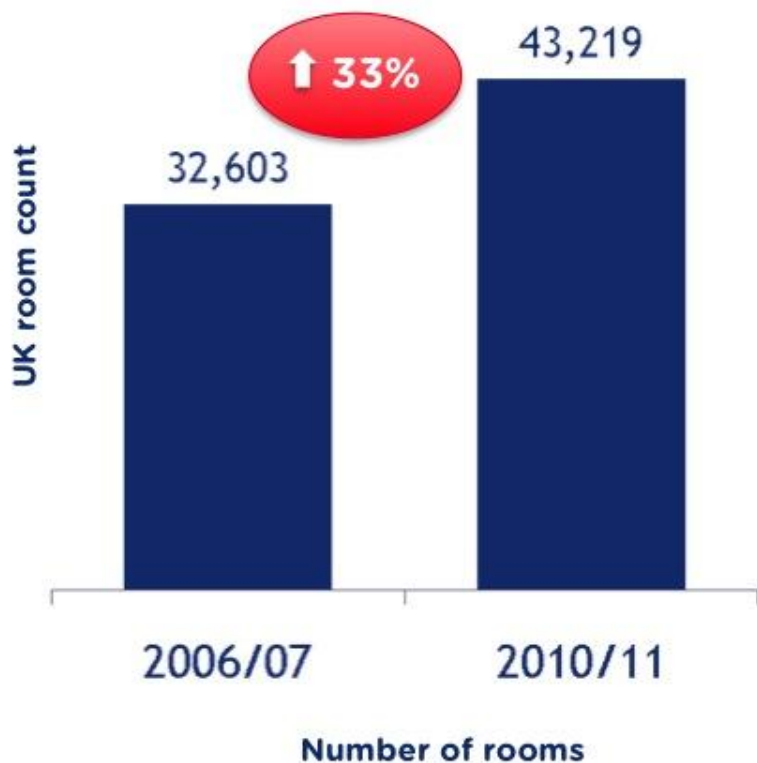
Whitbread EPS and revenue growth



Hotels & Restaurants

Building on success

ROIC: 12.3%*



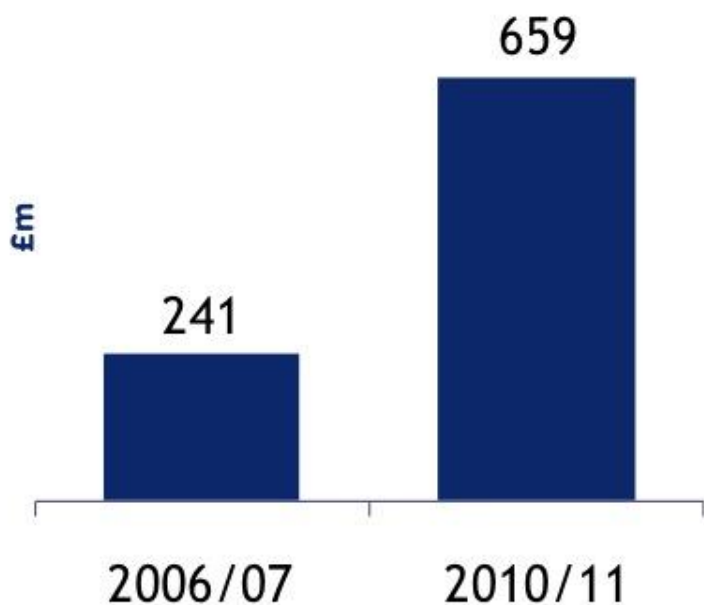
Profits 7.9% CAGR
Continuing revenue 7% CAGR



* Total (UK & International)

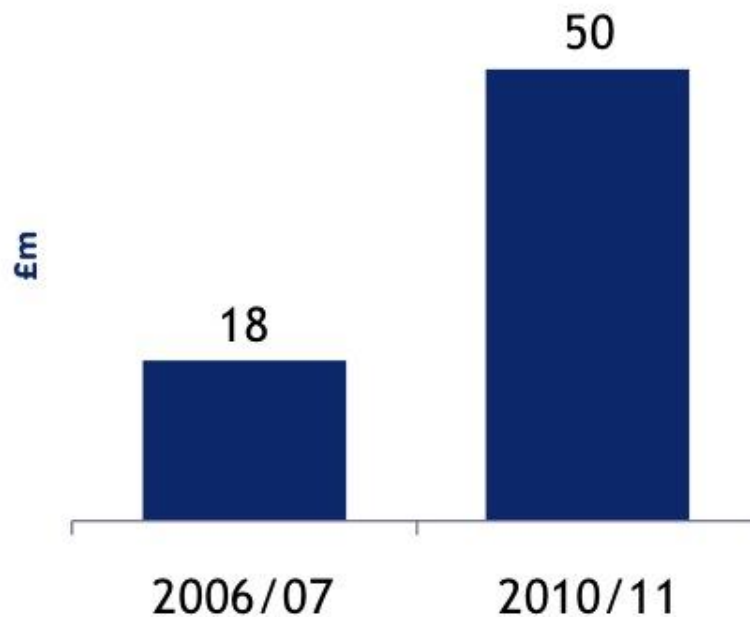
ROIC: 42.2%*

28.6% CAGR



System sales

29.1% CAGR

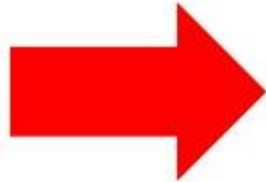


PBIT

* ROIC 28.1% including Coffee Nation

Our approach

Employee
engagement



Shareholder
value



Building on
success



Creating a
great place to work
for our people
who care for our
customers

Providing outstanding
value and making
everyday experiences
feel special so that
our customers come
back time and again

Driving efficiencies
and investing
in growth for
long-term
shareholder value and
customer choice

GOOD TOGETHER

Key themes


Growing
strong brands

Experience

Distribution



Value

Innovation

EAT SLEEP & DRINK
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Leading hotel & coffee shop brands



Growing
strong brands

Customer
heartbeat

- **Premier Inn and Costa are No.1 UK brands**
- **Build a bigger lead and establish stronger international presence**
- **Opportunity to move Restaurants to 'best in class'**
 - Brand perception (in local market)
 - Employees
 - Returns

Listening to our customers



Premier Inn			
Responses	Period	var LY	YTD var LY
<u>A Good Nights Sleep</u>			
Comfort of Bed			
Comfort of Pillows			
Noise from within the Hotel (bottom 2 box)			
Noise from outside the Hotel (bottom 2 box)			
<u>Great Value Food & Drink</u>			
Breakfast Quality			
Dinner Quality			
<u>People Who Really Care</u>			
Staff Care			
Friendly Service			
Knowledge & Professionalism			
Efficiency of Check In			
Warmth of Welcome			
<u>In a clean comfortable & well looked after environment</u>			
Bedroom Cleanliness			
Bathroom Cleanliness			
Bedroom maintenance			
Bathroom maintenance			
<u>Price</u>			
Price paid for the room			
<u>KPIs</u>			
Overall VFM			
Overall Satisfaction			
Overall Recommend			
Intention to Return			

Guest Recommend

- 0.8 million customers responses
- 86% would recommend Premier Inn and 89% would recommend our restaurant brands*
- 82% of Premier Inn customers and 88% of Restaurant customers rated us 'good' or 'very good' on Value for Money scores

Source: ORC Guest Satisfaction Survey. * Top two box rating on scale of 1-5

Customer data capture

Growing
strong brands

Customer
heartbeat

**FREE
COFFEE**
(A LITTLE EXTRA
SWEETENER FROM COSTA).



PICK UP A CARD. JOIN THE COFFEE CLUB TODAY.
See leaflet at counter for details.

WE MAKE IT BETTER



COSTA

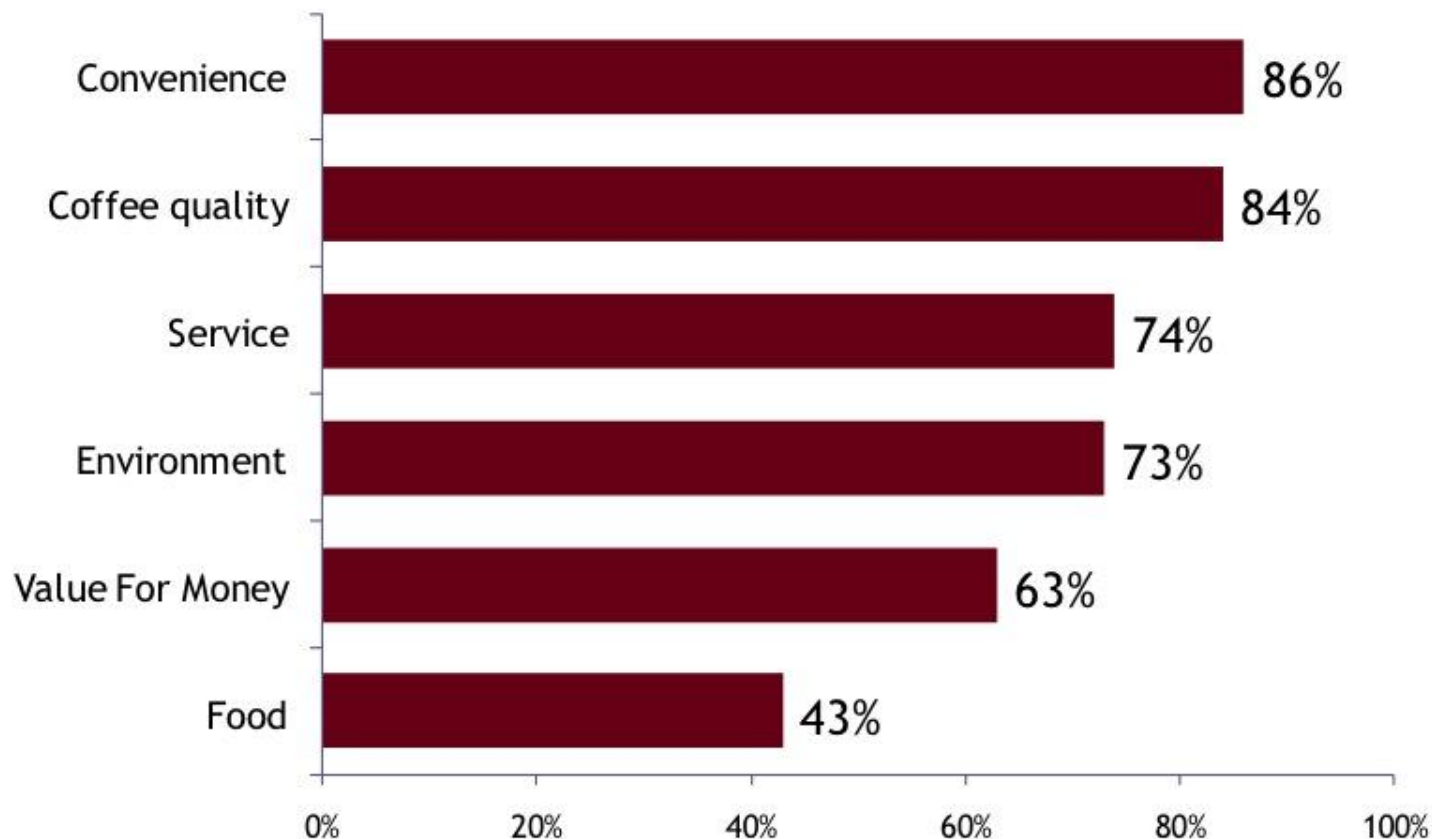
COSTA COFFEE CARD

- 1.2m active cards
- 41% of transactions include use of a card
- Cardholders average spend is 6% higher than non card users
- Cardholders intention to recommend is 79% vs 63% for non-cardholders

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Hierarchy of customer needs

Growing strong brands
Customer heartbeat





Dynamic pricing – continuing lever for revpar growth

	2009 28 hotel trial	Feb 2010 Launch Full estate	Dec 2010	2011/12
Hotel Categories	1	1	7	7
Rate Levels	13	10 Provinces 21 London	21	25
Week parts	2 MW/WE	2 MW/WE	4 MW Peak MW Shoulder WE Peak WE Shoulder	7 Daily
Price point	Flexible	Flexible	Flexible	Flexible and Saver

**Growing
strong brands**

Value

Experience

Innovation

Distribution

Substantial opportunity

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WHITBREAD



Extending Premier Offers to drive leisure occupancy

**Premier Offers
Rates from £29**

Over 1m room nights sold

**£22 Meal Deals
Breakfast, dinner & drink**

**588,000 sold
over £10m revenue**

New £19 entry rate

**On 'sale' week of 25 March
320 website hits per second
75,000 room nights sold
across £19, £29 and £39
rates**

**Growing
strong brands**

Value

Experience

Innovation

Distribution

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Restaurant Value Offers

Appointed Restaurants MD
Focus on 'best In class'

Growing
strong brands

Value

Experience

Innovation

Distribution

Value Offers
10.9% growth
Over 30% of
all covers

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SUNDAYS**

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GRILL**

Thursday night is
Curry Night
at Brewers Fayre

Buffet +
FREE pint
£7.99



**Buffet
Place**

Thanks for toasting
the royal couple with
us...

...to thank you
we're giving you
**2 main courses
and a bottle of
wine for £14***

Choose from the following dishes:
Hand-battered Fish and Chips**
Pork, Leek & Bacon Sausages and Mash
Beef & Onion Pie
Chilli Con Carne
Quorn™ Chilli (v)
Goz' Blackened Minute Steak
Breaded Scampi and Chips*
Spinach & Ricotta Cannelloni (v)
Chicken Makhani Curry
Boz' Beef or Chicken Breast Burger

Choose from the following wines:
Nobilo, Sauvignon Blanc or
Carla, Rioja

* Price and conditions apply. See website or voucher to details.
** Approximately weight 100g/3.5oz.
*** Fragrant. Tasteless. (v) Suitable for vegetarians.
**** May contain small bones. (v) Sample is made from selected pieces of scampi.



& DRINK
TBREAD

COSTA

Focus on product and service

KEEP
COOL



ICE COLD
COSTA

- Extend Ice Cold Costa campaign (£5.5m sales in 9 weeks 2010/11, 16% of beverage sales)
- New breakfast range like for likes up 11%
- Reduce queues
- New service style
- 78 sites refurbished

Growing
strong brands

Value

Experience

Innovation

Distribution

EAT SLEEP & DRINK
WHITBREAD



Fast, simple service



- **Automated check-in kiosks at 33 hotels and all new Solus builds**

**Growing
strong brands**

Value

Experience

Innovation

Distribution

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Launch of new hotel format



- Mini Solus format
- Average 60-80 rooms
- Reduced F&B and public area space
- Lower build costs
- Alternative route to market
- More efficient investment vehicle

**600th hotel
Stratford upon Avon**

**Growing
strong brands**

Value

Experience

Innovation

Distribution

**EAT SLEEP & DRINK
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COSTA

Environment design evolution



Metro design

- Shelton Street, Covent Garden
- 6 stores in Central London
- 8 in pipeline, Leeds opening summer



New 'Provincial' store design

- Nottingham
- Oxford

Growing strong brands

Value

Experience

Innovation

Distribution

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Restaurants

Innovating for value



Brewers Fayre Buffet Place

- 24 existing sites,
- Roll out 50+ in 2011/12
- 5% sales uplift

Growing
strong brands

Value

Experience

Innovation

Distribution

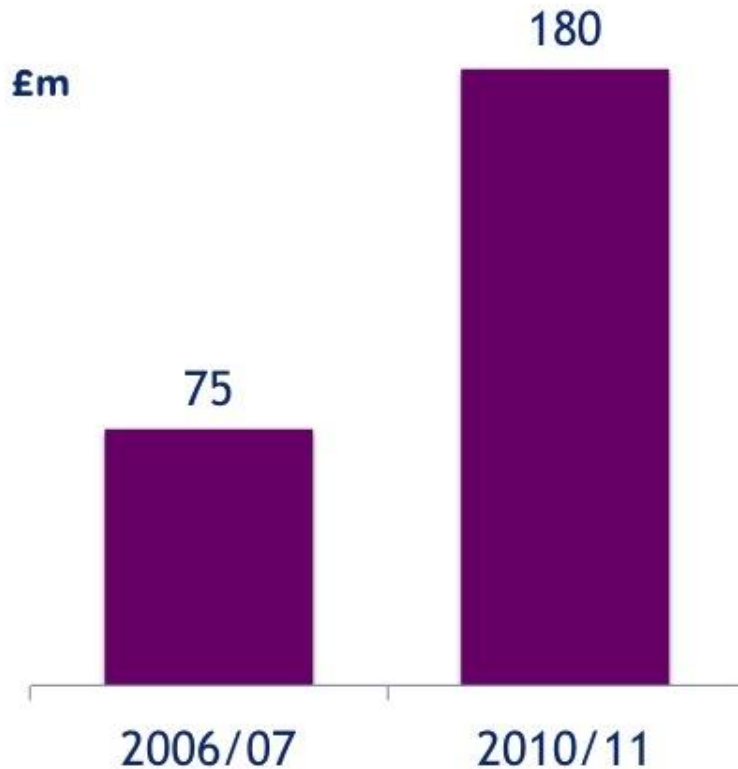
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Business Account builds customer base

Revenue*

24.5% CAGR



* Excluding VAT

- Revenue up 21% to £180m year on year
- 16,600 accounts up 9%
- Increased take up by smaller companies
- Building strong relationships with government departments

Growing
strong brands

Value

Experience

Innovation

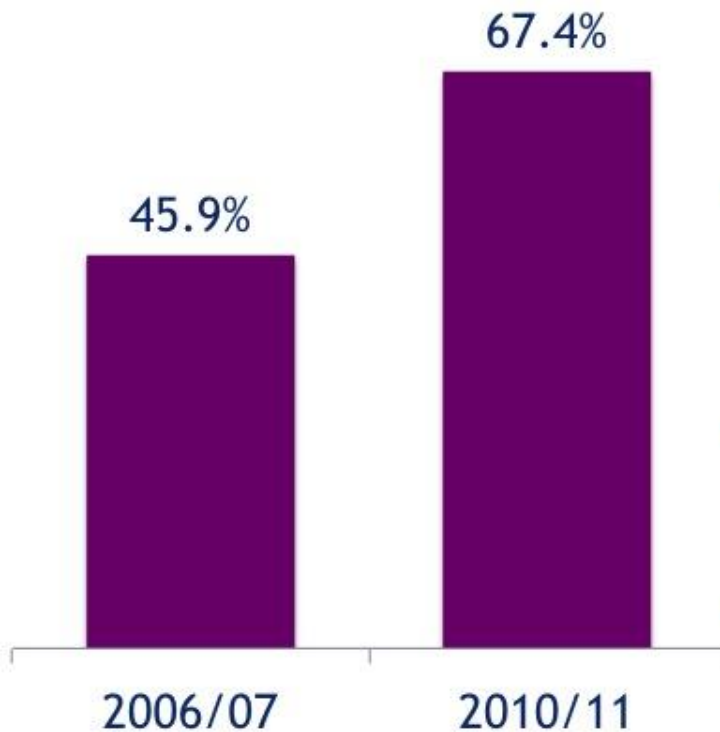
Distribution

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Rapid growth of automated channels

Automated channels bookings*



Now over
70%
of total
bookings

- **Premierinn.com**
 - 60% of total bookings
 - £419m revenue (+24%)
- **Premier Inn Apps launched January: £1.4m revenue year to date**
- **Groups Desk: £38.9m revenue (£8.5m in 2007)**

Growing strong brands

Value

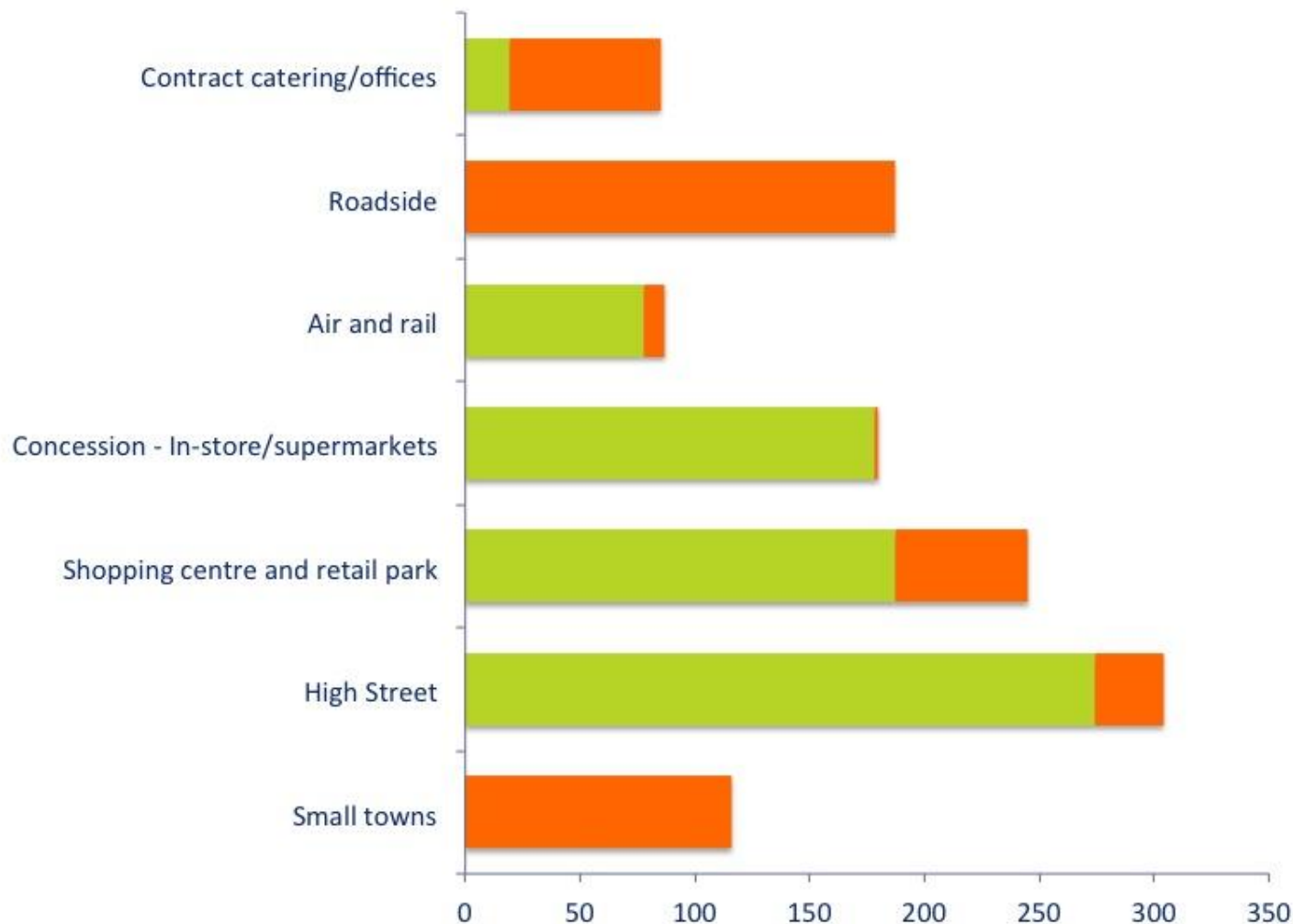
Experience

Innovation

Distribution

* Premierinn.com, International websites, GDS, bookings.com

Broad distribution for customer convenience



Growing strong brands

Value

Experience

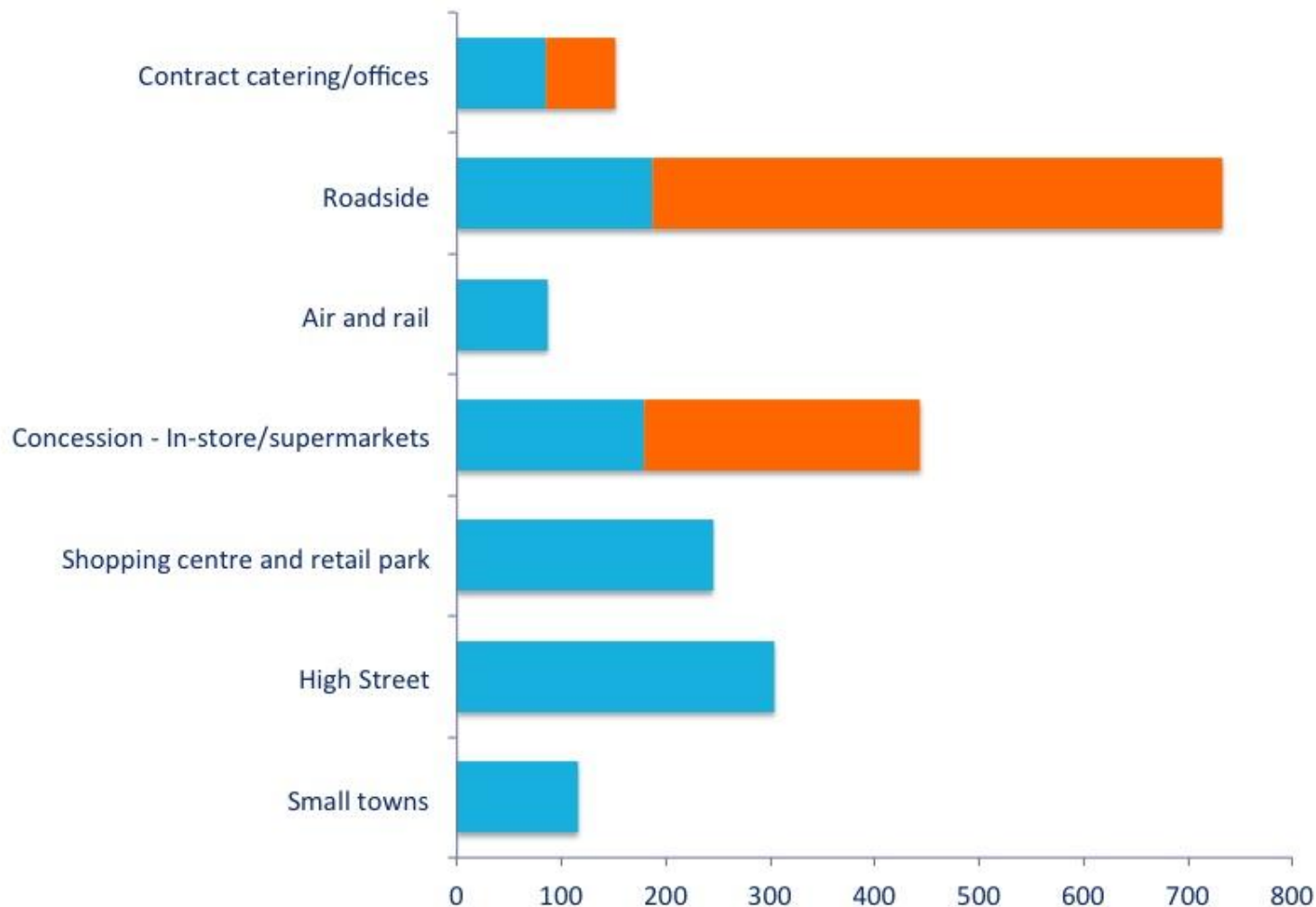
Innovation

Distribution

UK Equity

Franchise

Broad distribution for customer convenience



**Growing
strong brands**

Value

Experience

Innovation

Distribution

Costa

Costa Express

COSTA

A complementary channel



- Convenience and speed
- Quality coffee
- Fresh beans, fresh milk
- Extends Costa brand

Growing strong brands

Value

Experience

Innovation

Distribution

COSTA

Innovative new channel



- 1st Drive thru in Nottingham
- Will open in May 2011
- 6 more in 2011/12

**Growing
strong brands**

Value

Experience

Innovation

Distribution

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Building strong brands



Growing
strong brands

- **Winning the competitive battles**
- **Premier Inn**
 - Dynamic pricing to drive mid week and weekend revpar
 - Leverage Business Account
 - Advertising & Premier Offers promotions
- **Restaurants**
 - Sharper management focus
 - Customer service and value for money
- **Costa**
 - Product development - Coffee, Ice Cold Costa & food
 - Investment in environments
 - Network growth

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Growing strong brands



Growing
strong brands

Accelerating growth in 2011/12

- **Premier Inn UK around 4,000 rooms**
 - Plus committed pipeline 6,500 rooms beyond 2011/12
- **14 new restaurants**
- **Costa**
 - c.100 stores in the UK
 - c.200 stores internationally
 - 500 Costa Express machines

5 year growth milestones

Growing
strong brands



50% UK growth to at least 65,000 rooms

COSTA

Double global system sales to £1.3bn
Double network to 3,500 stores
Costa Express grows to 3,000 units

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**Growing
strong brands**

**Premier
Inn
35,000
rooms**

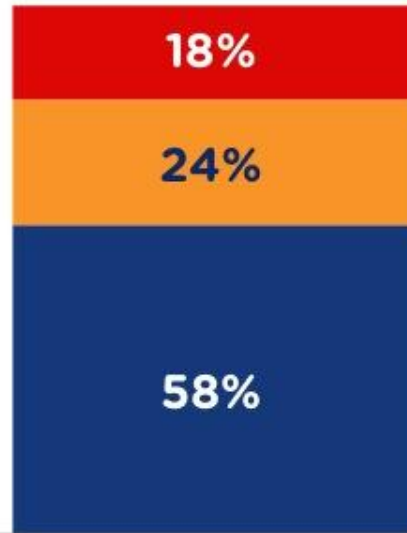
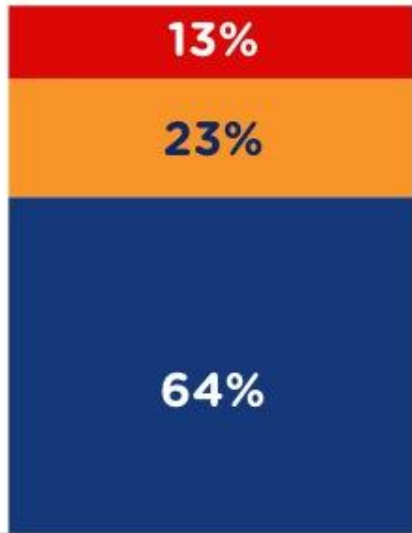
**Premier
Inn
43,000
rooms**

↑ 23%

678,000 rooms

679,000 rooms

UK
market
rooms



- Budget branded
- Other branded
- Independent

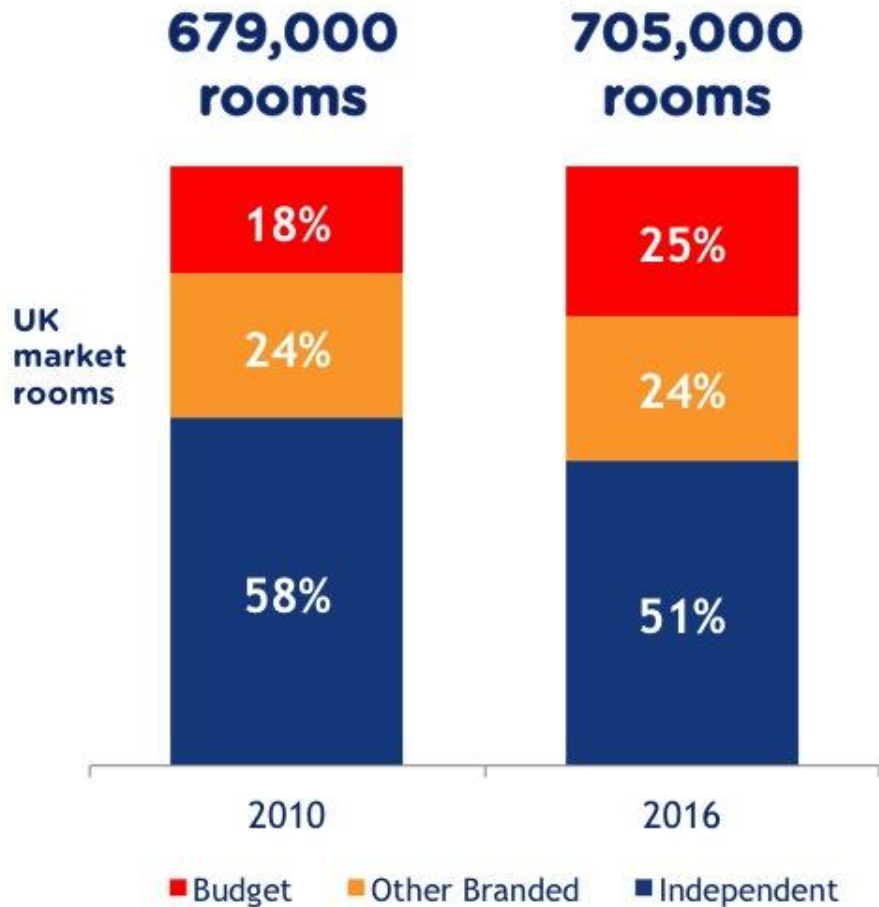
2007

2010



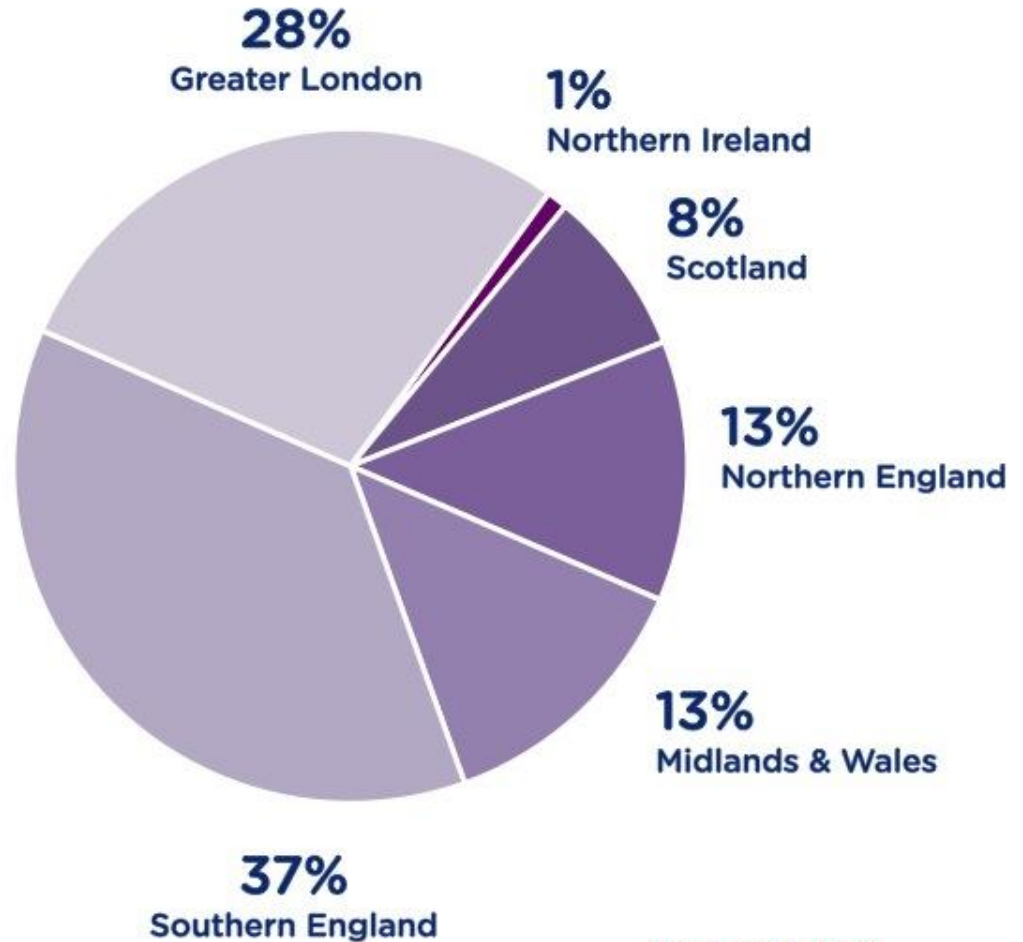
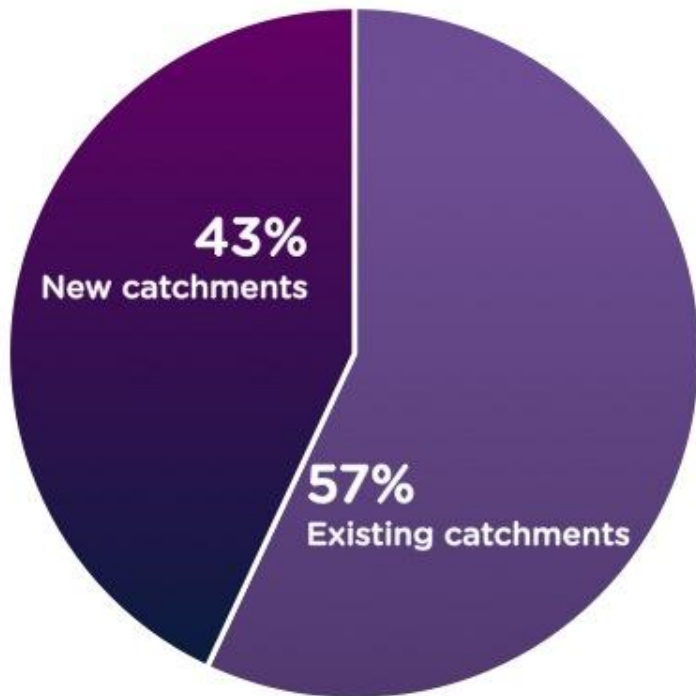
50% rooms growth

Growing strong brands





Source of growth 2011 - 2016 (22,000 rooms)



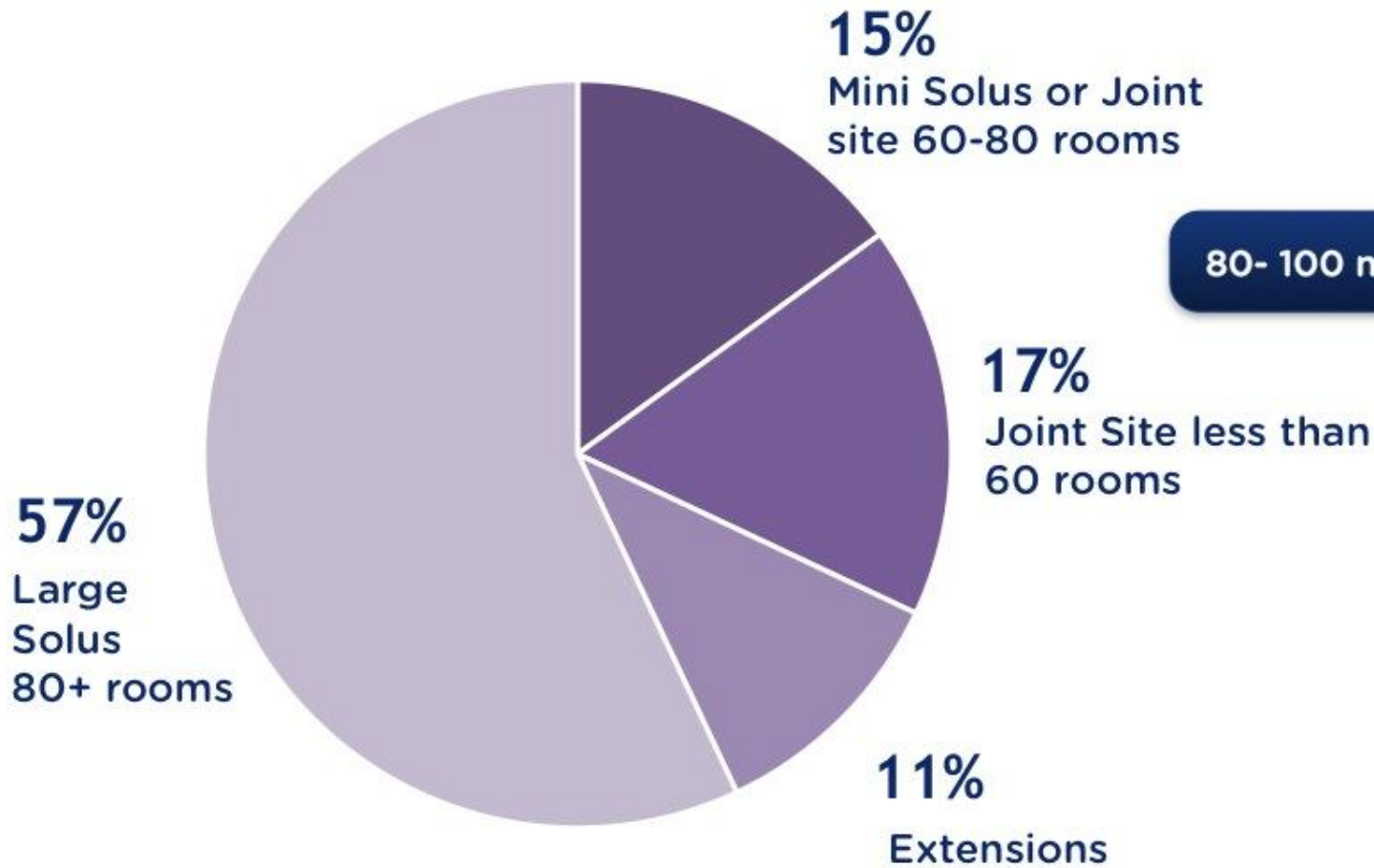
Source: OC&C model and analysis

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Shape of growth 2011 - 2016

Growing strong brands



80- 100 new restaurants

ROIC* %
17
13
13
14

* Operating profits before interest and tax divided by net assets excluding debt, taxation liabilities and pension deficit



International

**Growing
strong brands**

- **Current 5 hotels making progress**
 - Middle East occupancy up to 55% from 35% (2009/10)
 - Four hotels in committed pipeline
- **Appointed new MD International**
- **Strategy being developed within “capital lite” framework**
- **Medium term growth opportunity**

COSTA

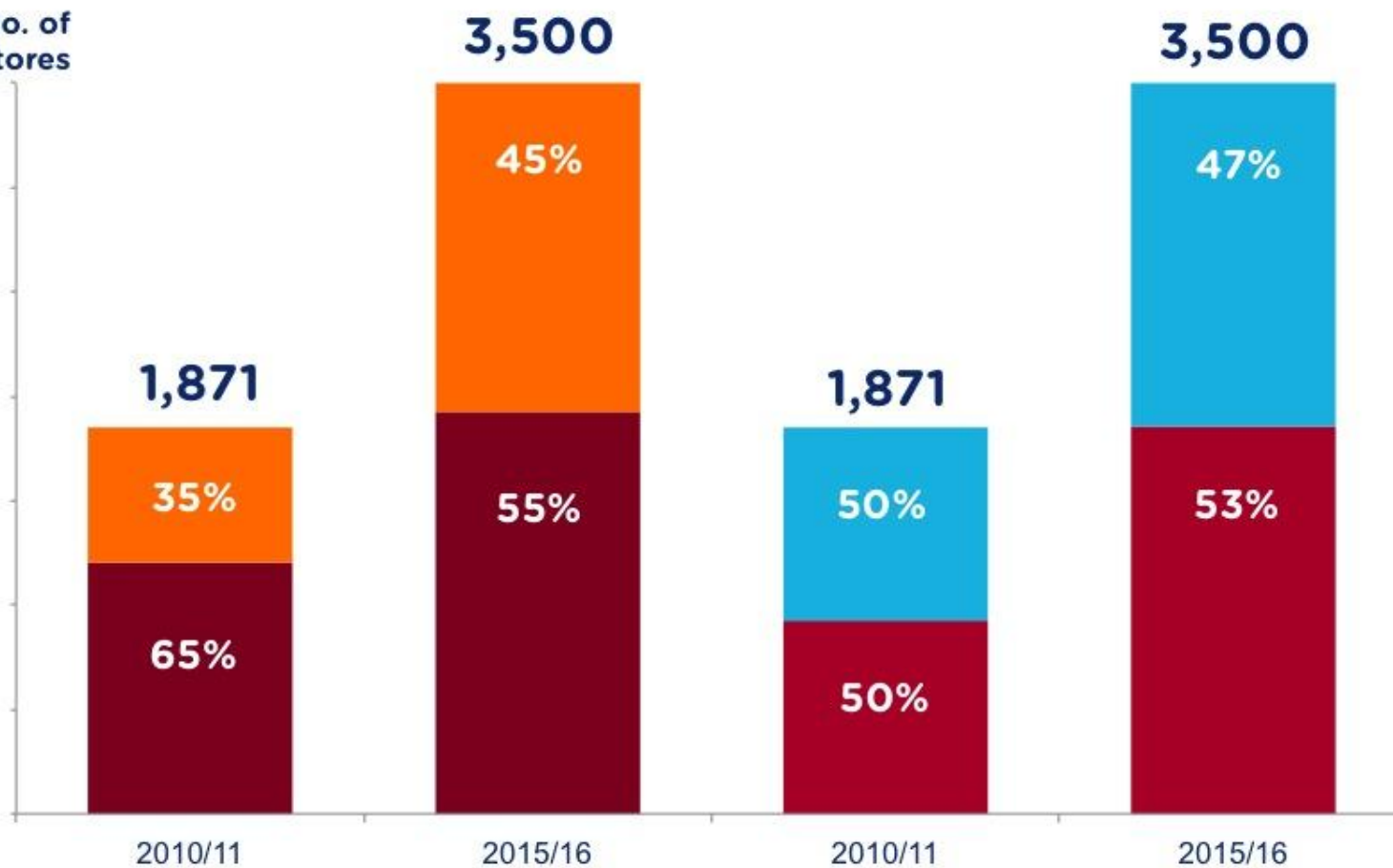
Double global system sales

Growing
strong brands



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No. of stores



International
UK

Franchise
Equity

Driving returns



Driving
returns

- **Good ROIC – average and incremental**
 - WHR 12.3%
 - Costa 42.2%*
- **Improving incremental returns**
 - Choice of Premier Inn format
 - Balance between hotels and restaurants and restaurant size
 - Focus on lower performing assets and adjusting for freehold/ leasehold investment

* Adjusted to exclude the Coffee Nation acquisition on 2 March 2011

Driving returns



Driving
returns

- **Maintaining asset base**

- 2011 book value of £2.3bn*
- 2009 £40m Sale & Leaseback achieved 60% uplift over book
- Last independent valuation in 2007 at £3.7bn (book value £1.9bn*)

- **Remain predominantly freehold**

- Regular modest sale and leaseback programme
- City locations mean more leaseholds in pipeline

* Land, buildings, plant and equipment

Financial policies



Financial
policies

- **Leverage**

- Framework to remain <3.5 times EBITDA on a pension, lease adjusted basis

- **Dividend**

- Aim to grow broadly ‘in line’ with earnings over cycle
- Rebalance Interim dividend to better reflect earnings to c.35% of the Full Year dividend

Current outlook



Current
outlook

- Growth in our like for like sales remains firmly positive, although at a lower level than that achieved in the fourth quarter of 2010/11
- Despite a more challenging consumer economy, we are confident that we will continue to outperform
- Our emphasis is on giving customers value for money, winning market share and keeping a tight control of costs
- We see a significant opportunity for Whitbread, building on our good returns on capital and the availability of quality sites
- We are already growing faster and will add around 4,000 new Premier Inn UK rooms and around 300 Costa stores this year

Substantial value creation



Summary

- Whitbread has demonstrated its strength during the recession with good returns on capital
- We are already implementing our new 5 year growth milestones
- Growth will be financed from our own resources

Q&A



Costa Investor presentation
18th May 2011
City Presentation Centre
3.30pm



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Appendix



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Standard Information

General



Achieved Room Rate (ARR)	Hotel accommodation income divided by the number of rooms occupied by guests
Income before fixed costs (IBFC)	Hotel operating profit before directly attributable fixed costs (such as rent, rates, insurance, etc.), head office and central costs
Income after fixed costs (IAFC)	Hotel operating profit after directly attributable fixed costs but before allocating head office and central costs
Joint Sites	Consist of sites with a combined Premier Inn and Whitbread restaurant. This includes the remaining standalone restaurants
Like for like sales	Period over period change in total sales, less sales generated by outlets opened during 2010/11 and 2009/10 or closed during 2010/11
Occupancy	Number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period
ROIC (Return On Invested Capital)	Underlying profit before interest and tax divided by net assets excluding debt, taxation liabilities and pension deficit at the balance sheet date
Solus Sites	Consist of standalone Premier Inn hotels and integrated restaurants (e.g. County Hall) or Premier Inn hotels with a third-party restaurant
Revpar/yield	Revenue per available room, also known as “yield”, this hotel measure is achieved by multiplying the ARR by the occupancy rate

Standard Information Hotels & Restaurants

EAT SLEEP & DRINK
WHITBREAD

	Full Year 2010/11	Full Year 2009/10
Solus ¹		
Sales	£m	£m
IBFC	403.8	363.7
IAFC ²	231.2	205.2
Net Assets	125.3	112.0
	1,021.2	995.1
Joint ³		
Sales - Joint Sites	£m	£m
IBFC	768.9	732.3
IAFC ²	340.4	304.9
Net Assets	238.1	205.3
	1,277.0	1,271.3
Total		
Sales - Premier Inn	£m	£m
Sales - Restaurants (Pre exceptional revenue)	698.6	629.8
Total Sales	474.1	466.2
Total Sales pre - exceptionals	1,172.7	1,096.0
IBFC	571.6	510.1
IAFC	363.4	317.3
EBITDA from Operations	363.1	325.1
EBIT from Operations before exceptionals	283.4	247.0
Total Net Assets	2,298.2	2,266.4
Cash Capital Expenditure ⁴	£m	£m
	169.2	114.2
Key Operating Measures		
ARR (Total)	£	£
Occupancy (Total)	%	£54.85
Occupancy (Like for Like)	%	69.3%
Yield (Total)	£	70.2%
		£37.99
Like for Like Sales Growth PI	%	-4.3%
Like for Like Sales Growth REST	%	1.7%
Operating Margin	%	22.5%
ROIC ⁵	%	10.9%

¹ Solus includes India and Ireland.

² Fixed costs include: Rent, Rates, Depreciation and Other (including insurance and pre-opening) costs.

³ Includes both joint site and standalone restaurants.

⁴ Includes intangible capital expenditure

⁵ ROIC is based upon segmental net assets with no allocation for UK debt, taxation liabilities, pension and centrally held provisions.

Standard Information Hotels & Restaurants cont.

	Full Year 2010/11	Full Year 2009/10
Number of Rooms		
Solus	22,324	21,127
- Managed	282	282
- Associate	449	1,082
- Franchise & Management Contract	23,055	22,491
Total Solus	20,164	19,229
Joint Sites	43,219	41,720
Total UK	1,076	1,079
International	44,295	42,799
Number of Hotels		
Solus	229	221
- Managed	1	1
- Associate	13	28
- Franchise & Management Contract	243	250
Total Solus	347	333
Joint Sites	590	583
Total UK	5	5
International	595	588
Restaurant Outlet Details		
- Beefeater	131	130
- Brewers Fayre	129	127
- Table Table	112	109
- Taybarns	7	7
- Managed	379	373
Numbers with adjacent Premier Inns		
- Beefeater	120	114
- Brewers Fayre	116	113
- Table Table	104	99
- Taybarns	7	7
	347	333

Headline financials

	Full Year 2010/11	Full Year 2009/10
Sales	£m 425.0	340.9
EBITDA from Operations	£m 71.5	54.0
EBIT from Operations	£m 50.1	36.2
Net Assets	£m 178.3	98.6
Cash Capital Expenditure	£m 33.0	17.2
Key Operating Measures		
Like for like sales growth ³	% 7.8%	5.5%
Operating Margin	% 11.8%	10.6%
ROIC ¹ . 2 - Total Business	% 28.1%	36.7%

¹ ROIC is based upon segmental net assets with no allocation for UK debt, taxations liabilities, pension and centrally held provisions

² On 2nd March 2011 Costa purchased Coffee Nation which increased net assets by £59.5m, FY 10/11 ROIC would have been 42.2% excluding Coffee Nation.

³ Like for like sales growth pre coffee club

Outlet details

	Full Year 2010/11	Full Year 2009/10
- Equity	736	657
- UK Franchise	481	412
Total UK	1,217	1,069
- International Equity	86	89
- International JV ²	121	69
- International Franchise	447	373
Total International	654	531
	1,871	1,600
Coffee Nation Number of machines	877	-

² International JV includes Shanghai which is a subsidiary with a 51% interest. Also the Russian JV has 7 franchises (2009/10: 5)