

WHITBREAD PLC RESULTS FOR THE SIX MONTHS ENDED 1ST SEPTEMBER 2011

WHITBREAD DELIVERS STRONG GROWTH

Highlights

- Total revenue up 10.7% to £891.3 million (2010/11: £805.4 million)
- Group like for like sales up 3.3% in the half year
- Underlying profit¹ before tax up 15.2% to £174.9 million (2010/11: £151.8 million)
- Group return on capital² 13.6%
- Whitbread Hotels and Restaurants underlying profits up 8.5% to £167.1 million delivering a return on capital of 12.5% (2010/11: 12.1%)
- Costa underlying profits up 41.8% to £27.8 million delivering a return on capital of 28.5% (2010/11: 35.6%)
- Underlying diluted EPS up 17.8% to 72.20p (2010/11: 61.27p)
- Interim dividend up 55.6% to 17.50p (2010/11: 11.25p) consistent with our stated intent to rebalance the first half dividend

Statutory

- Profit after tax and exceptional items for the half year up to £159.2 million (2010/11: £116.0 million)
- Total basic EPS 90.79p (2010/11: 66.29p)

Driving organic growth

Focus on building strong brands

- Premier Inn grew total sales by 10.6% and like for like sales³ by 5.2%. Like for like revpar grew by 4.4% to £44.49 with an increase in London of 11.4% and the provinces of 3.0% both benefitting from dynamic pricing
- Costa grew system sales by 23.3% to £383.6 million, total reported sales by 26.3% and like for like sales by 6.7% helped by the success of its Ice Cold Costa campaign and international growth

Investing in growth

- Whitbread Hotels and Restaurants opened 12 new hotels, 1,408 rooms and five restaurants
- Costa grew its store network opening 167 new stores including the 100th store in China and has just celebrated the opening of its 2,000th store worldwide
- Costa Express is progressing well with 65 new units and 135 conversions
- Around 2,500 new UK jobs to be created during the year

On track to achieve five year growth milestones

- 65,000 Premier Inn rooms
- 3,500 Costa stores worldwide and £1.3 billion system sales
- 3,000 Costa Express units

Anthony Habgood, Chairman of Whitbread PLC said:

“This is a good set of results demonstrating the strength of our brands in tough market conditions. The strong first half performances of our two main growth engines, Premier Inn and Costa, give us confidence to continue to expand the business. As indicated with our results in April, we are rebalancing our dividend payments to reflect our earnings profile better and, as a result, our interim payment is up 55.6% to 17.50p.”

Andy Harrison, Chief Executive of Whitbread PLC said:

“Whitbread traded well in the first half with a 10.7% growth in sales and a 15.2% increase in underlying profits. Our strong brands, supported by customer driven commercial actions, are providing winning customer propositions.

We are continuing to grow our business and this year we plan to open 4,000 new Premier Inn rooms and 14 new restaurants in the UK, together with 300 Costa stores worldwide. This is another step towards our five year growth milestones which will grow Premier Inn UK by almost 50% to 65,000 rooms and increase the Costa network by 75% to 3,500 stores worldwide, together with at least 3,000 Costa Express machines. We believe this expansion, supported by like for like sales growth, should create substantial shareholder value.

Our overall first half sales performance is the best guide to the Group’s underlying trading, although on a month by month basis trading continues to be variable in a challenging consumer environment. The first half performance puts us on track to deliver full year results in line with expectations.”

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¹ Underlying profit

Underlying profit excludes exceptional items, the impact of the pension finance cost as accounted for under IAS 19 and the amortisation of acquired intangibles

² Return on capital

Return on capital is the return on invested capital that is calculated by taking underlying profit before interest and tax for the year to 1 September 2011 divided by net assets excluding debt, taxation liabilities and the pension deficit as at 1 September 2011.

³ Like for likes

Premier Inn like for like numbers where quoted relate to UK and Ireland only and for Costa they relate to UK equity only.

Further information

For photographs and videos, please visit the corporate media library:
www.whitbreadimages.co.uk

A presentation for analysts will be held at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The presentation is at 9.30 am and a live webcast of the presentation will be available on the investors' section of the website at: <http://www.whitbread.co.uk/investors>

CHIEF EXECUTIVE'S REVIEW

In the first six months of the year, Whitbread has continued to deliver a positive performance with good sales and profit growth despite the challenging consumer environment. Organic expansion, coupled with good like for like sales growth have generated an increase in Group total sales of 10.7% to £891.3 million with Premier Inn up 10.6% to £393.4 million, Costa up 26.3% to £250.8 million and Restaurants up 0.5% to £248.5 million.

Group underlying profit before tax increased by 15.2% to £174.9 million (2010/11: £151.8 million) with underlying diluted EPS increasing by 17.8% to 72.20p.

Group like for like sales increased by 3.3% with the two main growth engines of Premier Inn and Costa delivering strong like for like sales increases of 5.2% and 6.7% respectively. Trading in our Restaurants business continued to be challenging with like for like sales down (1.6%) in an increasingly value driven market.

At the half year, net debt was £520.1 million (compared to £487.9 million at 3 March 2011). As part of the Group's continuing strategy to diversify its sources of funds we undertook a sale and leaseback of seven Premier Inns and adjacent restaurants in August for £53.8 million. This created a profit over book value of £24.8 million which has been included in exceptional items. Additionally, in September we successfully concluded an issue of private placement loan notes of US\$210 million and £25 million with an equivalent sterling value of £156.4 million.

Reflecting our decision to rebalance the dividend between the first and second half years, the interim dividend has been increased by 55.6% to 17.50p (2010/11: 11.25p). This will be paid on 10 January 2012 to all shareholders on the register at the close of business on 28 October 2011. A scrip dividend alternative will again be offered.

I would like to take this opportunity to thank all of our 40,000 employees for their hard work and contribution to Whitbread's success.

Building strong brands

Whitbread is the UK's largest hotel and restaurant group with some 2,000 sites visited by over 11 million customers every month and market leading brands in hotels and coffee shops.

We are focused on continuing to build and grow our strong brands by consistently delivering great service, excellent value and innovative new products which appeal to our millions of customers and, at the same time, making our brands even more accessible through increased distribution channels.

Whitbread Hotels and Restaurants

Premier Inn

Premier Inn had a successful first half with total room nights sold up by 7.0% to 6.3 million benefitting from both good business and leisure demand. Average room rate was up by 3.4% which, combined with occupancy up 0.8ppts to 79.4%, increased like for like revpar by 4.4% with growth across both midweek and the weekend. Like for like revpar grew by 11.4% in London and by 3.0% in the provinces.

As the UK's largest budget hotel chain and recognised by YouGov as the No.1 budget hotel brand, Premier Inn's superior business model enables us to win market share and optimise performance.

We continue to invest in developing strong distribution channels which target both business and leisure customers. The Business Account programme now constitutes 26% of Premier Inn sales delivering £102.6 million of revenue (including food and beverage) in the first half. We have over 16,000 live accounts (active in the last 12 months) which is a 6.4% increase on last year.

Online bookings now account for 76% of all bookings, 66% of which are through premierinn.com. This equates to 2.8 million bookings and £302 million of revenue in the first half year alone. We have recently introduced 'Trip Advisor' ratings to our website to give our customers a more informed choice when selecting a hotel.

Further enhancements to our dynamic pricing system have improved our capability to optimise room rate whilst achieving growth in occupancy towards our 80% target. We have introduced a new dual price structure with 'Premier Saver' rates (these rates are non refundable and payable at booking) and 'Premier Flexible' (which are fully refundable and payable either on check-in or at booking). By using a broader range of rates across all seven days of the week we are achieving more efficient pricing, enabling us to better optimise both midweek and weekend revpar.

The introduction of our new CRM system in August enables us to become increasingly sophisticated at targeting our database of six million customers with incremental revenue-generating promotions such as the new Weekend Rewards programme aimed at the business user and the 'Inn'sider Offers to leisure customers.

In the UK, Whitbread Hotels and Restaurants opened 11 hotels, 1,265 rooms and five new restaurants. Internationally we have opened one hotel in the half year bringing the total to five hotels (1,055 rooms) in the Middle East and India. Our total estate at the half year stood at 607 hotels, 45,694 rooms and 383 restaurants.

In the first six months of the year we implemented a new cluster management structure within Premier Inn. This will improve the customer experience and facilitate our ambitious growth plans. In addition, the joint site general managers are now focused on their restaurant to deliver a better customer experience and enhance commercial performance.

Restaurants

Our Restaurants are trading in an increasingly value driven market and we saw a decline in like for like performance which coincided with the consumer downturn in early 2011. In this market environment, brands with lower price points are performing better and our brand with the lowest spend per head, Brewers Fayre, is outperforming our two higher-priced brands, Beefeater and Table Table.

The new management team are focused on strengthening our brands, driving operational performance across the entire estate and improving menus and value for money propositions. For instance, customers can now buy main meals from £4.99 in Beefeater and Table Table, while in Brewers Fayre our Buffet Place concept is proving very popular with an all you can eat buffet for £5.99. There are now 77 Buffet Places across the estate with plans to roll out a further 25. We have also introduced further added value offers to appeal to customers including drinks promotions, an all you can eat breakfast from £7.99 (with children eating for free) and are in the process of rolling out free wifi.

Costa

Costa achieved another excellent performance with underlying profits up 41.8% to £27.8 million, worldwide systems sales up 23.3% to £383.6 million and an increase in like for like UK equity store sales of 6.7%.

A key factor in Costa's success is our continued focus on product innovation and development. Over the summer, the Ice Cold Costa range delivered a 44% increase in revenue to £12.4 million (2010/11 £8.6 million) benefitting from an extended sales period and new drink flavours. In August, Costa launched its 'Costa Light' coffee, which has fewer calories and less caffeine and after one month already accounts for 1-2% of coffee sales. There are now three Costa Drive Thru's around the country and sales are ahead of expectations. We have a further ten in our pipeline and the potential for 75 across the country.

Since its launch in March, Costa Express has grown rapidly and is performing ahead of expectations, with an old Coffee Nation unit typically achieving a 20% uplift in cups sold once it is branded Costa Express serving Costa coffee. We have secured excellent relationships with existing and new partners, such as Tesco, Esso, Welcome Break, Moto and Compass Group and during the course of 2011/12 we expect to have rebranded over 500 existing Coffee Nation units and added a further 250 new Costa Express units across the UK.

In the first six months, Costa reached two significant milestones, opening its 2,000th store worldwide and its 100th store in China in the summer. We added 85 (net) new Costa stores in the UK, of which 43 are company operated and 42 are franchise stores. Internationally we added 47 (net) new stores of which 24 are company operated and 23 are franchise stores.

Driving profitable organic growth

In the first half of the year we continued to invest in disciplined growth and by the end of 2011/12 we will have created some 2,500 jobs in the UK. Total capital expenditure in 2011/12 will be around £325 million, up from £262 million in 2010/11 (including the acquisition of Coffee Nation).

In 2011/12 we plan to have opened around 4,000 new Premier Inn UK rooms, 14 restaurants and approximately 300 Costa stores worldwide of which around 150 will be in the UK and around 150 overseas.

Looking ahead we are on track to achieve our five year growth milestones that we set out in our Preliminary Results in April; to increase Premier Inn by 50% to 65,000 rooms, double the size of Costa to £1.3 billion system sales and 3,500 stores worldwide and have 3,000 Costa Express units.

In the UK, Premier Inn already has a committed pipeline of around 11,000 rooms which, when added to existing room stock of 44,484 provides over 55,000 secured rooms. Over 50% of new rooms will be in Greater London and the South East, with 38% in new markets where we do not currently have representation. As part of this programme we also plan to open 22 restaurants. The reported return on capital of this investment is expected to be around 20%.

Outside of the UK, Premier Inn has a pipeline of five new hotels in India and the Middle East, with the first hotel in Abu Dhabi set to open later this year. We are developing a 'capital right' strategy which will see the brand develop across our target territories of the Middle East, India and Asia Pacific using a number of different ownership models. Our investment to date amounts to under £50 million and we anticipate spending around £30 million per annum.

Good Together corporate responsibility programme

Our corporate responsibility programme, which we call 'Good Together' has been refocused and now covers the three key areas of Teams and Communities, Customer Wellbeing and Energy and Environment. Costa and Whitbread Hotels and Restaurants are in the process of developing new and stretching targets across each of these areas.

Whitbread employees have achieved around 1,100 qualifications through the apprenticeship and skills for life programmes and as we grow our outlet numbers we continue to offer jobs and training opportunities. Whitbread Hotels and Restaurants recently reached their target of £1 million raised for their nominated charity, WaterAid, while the Costa Foundation continues to fund the building of schools in coffee growing areas such as Uganda and Colombia.

Outlook

Whitbread performed well in the first half, driven by good sales growth from Premier Inn and Costa. Our strong brands, supported by customer driven commercial actions, are providing winning customer propositions.

Our overall first half sales performance is the best guide to the Group's underlying trading, although on a month by month basis trading continues to be variable in a challenging consumer environment. The first half performance puts us on track to deliver full year results in line with expectations.

Whitbread Hotels and Restaurants

Hotels and Restaurants	H1 2011/12	H1 2010/11	% Change
Premier Inn revenue £m	393.4	355.7	10.6
Restaurants revenue £m	248.5	247.3	0.5
Total revenue pre exceptional £m	641.9	603.0	6.5
Exceptional revenue* £m	-	5.0	-
Total revenue post exceptional £m	641.9	608.0	5.6
Premier Inn like for like sales %**	5.2	10.1	-
Premier Inn rooms UK and Ireland (no.)	44,639	42,664	4.6
Premier Inn like for like revpar growth % **	4.4	9.3	-
Premier Inn occupancy (total) %**	79.1	78.4	-
Restaurants like for like sales %	(1.6)	4.2	-
Restaurants like for like covers growth %	(1.4)	6.4	-
Underlying operating profit pre exceptional ¹ £m	167.1	154.0	8.5
WHR return on capital ² %	12.5	2.1	-

* £5.0m refund in respect of VAT on gaming machine income** UK & Ireland only

Whitbread Hotels and Restaurants delivered good growth, driven by Premier Inn. Total pre exceptional revenues increased by 6.5% to £641.9 million with underlying operating profit pre exceptional up 8.5% year on year to £167.1 million. Like for like sales continued their positive momentum up 2.5% (2010/11: 7.6%).

During the first half Premier Inn delivered a strong performance with total sales up 10.6% to £393.4 million (2010/11: £355.7 million) and like for like sales up by 5.2%. Provincial like for like revpar increased by 3.0% and London saw growth of 11.4%.

Our Restaurants have been impacted by an increasingly value driven market place and although like for likes sales are down by (1.6)% we have been able to grow total covers by 0.8%. Total sales are positive at 0.5% benefitting from new openings.

In the first half of the year, Premier Inn opened 1,408 new rooms and 12 hotels. Our total estate at the half year stood at 45,694 rooms of which 1,055 are located in our international markets of India and the Middle East. We opened five new restaurants, all of which were adjacent to a Premier Inn, and now have 383 restaurants in the estate. We remain committed to maintaining our hotels and restaurants to the highest standards and have refurbished around 1,940 hotel rooms and 33 Table Table and Beefeater restaurants in the first half of this year, in addition to introducing Buffet Place to 50 Brewers Fayres .

Costa

	H1 2011/12	H1 2010/11	% Change
System sales £m	383.6	311.2	23.3
Revenue £m	250.8	198.5	26.3
Like for like sales % (UK)	6.7	8.5	-
UK stores (no.)	1,302	1,134	14.8
International stores (no.)	701	582	20.4
Costa Express / Coffee Nation units (no.)	934	-	-
Underlying operating profit pre exceptional ¹ £m	27.8	19.6	41.8
Return on capital ² %	28.5	35.6	-

Costa continued its excellent performance in the first half of 2011/12. Underlying operating profit pre exceptional grew by 41.8% to £27.8 million. UK like for like sales increased by 6.7% and the international business continued to grow profitability contributing £1.6 million (2010/11: £0.3 million).

Total system sales, which are sales from company owned and franchise stores combined, were up 23.3% to £383.6 million. International Costa franchise store sales were up by 11.5% to £57.0 million and total UK franchise store sales were up by 23.0% to £103.0 million.

In the first six months we have converted 135 Coffee Nation units to Costa Express and added 65 new Costa Express units. There are 734 Coffee Nation units remaining and we expect to have converted over 500 in total by the year end and added a total of 250 new units. Costa operates in 25 countries and is the number two international coffee shop operator with 2,003 stores: 1,302 in the UK and 701 overseas. We opened 132 (net) stores in the first half of the year, comprising 67 company operated stores (43 in the UK and 24 internationally) and 65 franchise stores (42 in the UK and 23 internationally). To date we have refurbished 88 UK equity stores.

FINANCE REVIEW

Revenue

Group revenue increased by 10.7% year on year to £891.3 million.

Revenue by business segment

£m	H1 2011/12	H1 2010/11	% Change
Hotels and Restaurants	641.9	608.0	5.6
Costa	250.8	198.5	26.3
Less: inter-segment	(1.4)	(1.1)	(27.3)
Revenue	891.3	805.4	10.7

Growth in revenue has been driven by new openings and like for like sales growth. In addition, Costa has benefited from Coffee Nation which we acquired at the end of last year and has contributed some £12.4 million of revenue in this half year.

In Hotels and Restaurants, Premier Inn UK opened 1,265 new rooms in 11 new hotels whilst like for like sales grew 5.2%. The increase in like for like sales growth reflects the benefits of dynamic pricing and a strong London market. Internationally we opened a second hotel in India with 143 rooms taking our international business to five hotels. Five new restaurants were opened in the half year with total sales increasing by 0.5% although like for like sales declined by (1.6)% as a result of a fall in like for like covers and a reduction in spend per head.

At Costa, 85 net new units were opened in the UK and 47 net new units overseas. On the back of strong footfall growth UK equity retail like for like sales grew by 6.7%. Reported sales in Costa's international business grew by 15.1% with China doing particularly well.

Results

Underlying profit before tax for the half year is £174.9 million, up 15.2% on the first half of last year and underlying diluted earnings per share were 72.20p compared to 61.27p last year, up 17.8%.

Total profit for the first six months was £159.2 million which compares to £116.0 million last year, up 37.2%.

Exceptional items

Exceptional items are analysed in more detail in note 3 but in total aggregate to a credit of £39.0 million. There are four major components with the largest being a sale and leaseback transaction which was completed in the period with a profit on disposal of £24.8 million from the sale of seven properties.

During the period, prior year capital allowance claims were agreed by HMRC and an additional £5.3 million was recognised, which when combined with prior year figures brings the total benefit to £12.9 million. A tax credit of £18.3 million arising from the reduction in corporation tax rates from 27% to 25% contained within the Finance Act 2011

was recognised as an exceptional credit. These tax credits were offset by tax on exceptional items amounting to £7.7 million.

Interest

The underlying interest charge is £11.4 million, a reduction of £0.2 million compared to last year reflecting reduced levels of average debt in the period which year on year fell by £29.3 million to £454.9 million. The total pre-exceptional interest cost amounted to £19.2 million. Included within this figure is an IAS 19 pension charge of £7.8 million (2010/11: £5.8 million). This charge represents the difference between the expected return on scheme assets and the interest cost of the scheme liabilities.

Tax

An underlying tax expense of £47.9 million represents an effective tax rate of 27.4% on the underlying profits, which compares with 29.2% last year. The excess over the statutory tax rate of 26.2% is predominantly driven by the impact of losses arising in overseas subsidiaries and permanently disallowable items.

Earnings per share

Diluted underlying earnings per share increased by 17.8% to 72.20p.

EPS	H1 2011/12	H1 2010/11
Underlying (Diluted)	72.20p	61.27p
Non GAAP adjustments	(3.85)p	(2.38)p
Exceptional items	22.08p	7.21p
Total operations (diluted)	90.43p	66.10p

Further details can be found in note 6.

Dividend

At the Preliminary Results in April we announced that we would rebalance the interim and final dividend payments. As a result the interim dividend of 17.50p is an increase on last year of 55.6%. This will be paid on 10 January 2012 to all shareholders on the register at the close of business on 28 October 2011. A scrip dividend alternative will again be offered.

Net Debt and Cashflow

The principal cashflow movements are as follows:

£m	H1 2011/12	H1 2010/11
Cashflow from operations*	257.1	198.5
Capital expenditure	(129.0)	(88.8)
Interest, tax and dividends	(97.7)	(57.7)
Pension contributions	(61.0)	(0.9)
Other	(1.6)	(4.9)
Net cashflow	(32.2)	46.2
Net debt bfwd	(487.9)	(513.4)
Net debt cfwd	(520.1)	(467.2)

*This agrees to cash generated from operations in the accounts excluding the pension payment

The Group increased cashflow from its operations by 29.5% to £257.1 million compared to last year. Despite this increase the Group had a cash outflow of £32.2 million in the half year compared to a cash inflow of £46.2 million last year. The movement is primarily a result of three factors. Firstly, in line with our plans, we have increased capital expenditure by £40.2 million. Secondly, in accordance with the pension deficit funding plan, the Group made a payment of £61.0 million to the pension scheme, and lastly the cash tax outflow was £26.8 million compared to a small cash receipt of £1.8 million in the previous year. Last year benefitted from the tax effect of the pension deficit recovery plans we put in place.

During the first half of the year the Group undertook a second issue of private placement loan notes in both US dollar and sterling in line with its stated policy to diversify both the sources and maturity of debt. These loan notes were issued in four series with maturities of between seven and ten years and coupons from 3.9 % to 4.9%. The US dollar component was swapped to sterling with the total transaction having a value of £156.4 million with sterling interest rates ranging from fixed at 4.3% to 5.2% and an average of 4.8%. The proceeds, which are receivable in two tranches, the first of £62.6 million in September 2011 and the balance in January 2012, will be used to repay drawings under the shorter maturity bank debt. More details of this transaction are set out in notes 9 and 13. In total the Group will have a total of £258.2 million debt funded from private placements by January 2012.

In addition to the loan notes set out above, the Group had committed revolving credit facilities of £930 million as at 1 September 2011 of which £410 million was drawn. The revolving credit facilities reduce to £855 million in December 2011 and £455 million in December 2012 with the remaining facility maturing in March 2013.

The policy of the Board is to manage the financial position and capital structure of the Group in a manner that is consistent with Whitbread maintaining its investment grade status.

During the half year the Group completed a sale and lease back transaction selling seven properties for £53.8 million which gave rise to a £24.8 million profit on disposal. The cash for this transaction was received on 2 September 2011.

Capital expenditure

Total Group cash capital expenditure on property, plant and equipment and intangible assets during the half year was £129.0 million with Hotels and Restaurants spend amounting to £100.7 million and Costa £28.3 million. Capital expenditure is split between development expenditure, which includes the acquisition and development of properties (£91.1 million) and maintenance expenditure (£37.9 million). We forecast that capital expenditure for the full year will be around £325 million.

Pensions

As at 1 September 2011, there was an IAS 19 pension deficit of £517.0 million, which compares to £488.0 million as at 3 March 2011. The movement in the deficit includes £82.2 million actuarial losses in the half year on the schemes assets and liabilities. This is offset by the £61.0 million contribution.

Related Parties

Related parties have been considered in detail in note 11 and is therefore not included within this Finance Review.

Post Balance Sheet Events

An interim dividend of 17.50p per share (2010/11: 11.25p) amounting to a total payment of £30.8 million (2010/11 £19.7 million) was declared by the Board on 17 October 2011. On 6 September 2011, the Group announced an agreement for long term debt from US investors under a private placement. Details have been set out above.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group are detailed on pages 18 and 19 of the Directors' Report and Accounts for the year ended 3 March 2011. The risks are categorised into the following areas: health, safety and security, strategic business risks including the effects of the UK economy, financial loss, funding, market expectations, business continuity, counterparty and third party contracts, customers / key relationships, pensions, international and reputational risk. Certain financial risks are also detailed in note 25 to the financial statements dated 3 March 2011, for example: interest rate risk, liquidity risk, credit risk and foreign currency risk. The Directors consider that these key risks and uncertainties continue to be relevant to the Group for the remainder of the financial year.

A copy of the Directors' Report and Accounts is available on the Company's website at www.whitbread.co.uk.