Interim Results 2011/12

18 October 2011

EAT SLEEP & DRINK

WHITBREAD

Anthony Habgood

Chairman

Andy Harrison

Chief Executive

Summary

- **Good H1 performance**
  - In line for full year expectations
- **Growing strong brands, winning share with strong customer propositions**
- **Driving operational performance in tough consumer environment**
  - And building in growing international markets
- **On track to deliver five year growth milestones**
  - Focused on returns and driving shareholder value
- **Strong balance sheet and asset backing**

Christopher Rogers

Group Finance Director

Summary
H1 2011/12

£m	H1 2011/12	H1 2010/11	Change
Underlying profit before tax	£174.9m	£151.8m	15.2%
Profit before tax, pre exceptional	£165.8m	£146.0m	13.6%
EPS underlying (diluted)	72.20p	61.27p	17.8%
Proposed interim dividend*	17.50p	11.25p	55.6%

* interim/final dividend split rebalanced in 2011/12

Summary – Profit & Loss

H1 2011/12

£m	H1 2011/12	H1 2010/11	Change
Revenue [1]	**891.3**	**805.4**	**10.7%**
Profit from operations	194.9	173.6	12.3%
Central costs	(8.6)	(10.2)	
Interest	(11.4)	(11.6)	
Underlying profit before tax	**174.9**	**151.8**	**15.2%**

[1] 2010/11 includes exceptional revenue of £5.0m in respect of VAT refund on gaming machine income

Summary – Underlying Profit & Loss

H1 2011/12

£m	H1 2011/12	H1 2010/11	Change
Underlying profit before tax	174.9	151.8	15.2%
Pension finance cost - IAS 19	(7.8)	(5.8)	(34.5)%
Amortisation of acquired intangibles	(1.3)	-	
Profit before tax, pre exceptional	165.8	146.0	13.6%
Taxation	(45.6)	(42.7)	(6.8)%
Net profit, pre exceptionals	120.2	103.3	16.4%
Exceptionals	39.0	12.7	
Profit for the year	**159.2**	**116.0**	**37.2%**

Revenue by business segment

H1 2011/12

£m	H1 2011/12	H1 2010/11	Change
Hotels & Restaurants [1]	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%**

[1] 2010/11 includes exceptional revenue of £5.0m in respect of VAT on gaming machine income

Hotels & Restaurants revenue

H1 2011/12

£m	H1 2011/12	H1 2010/11	Change
Premier Inn revenue	393.4	355.7	10.6%
Restaurants revenue [1]	248.5	247.3	0.5%
Exceptional revenue [2]	-	5.0	
Hotels & Restaurants	**641.9**	**608.0**	**5.6%**

[1] Revenue from joint site and stand alone restaurants [2] Revenue arising from refund of VAT on gaming machine income

Like for like sales

H1 2011/12

Unit growth

	March 2011	Opened	Closed	Sept 2011
Premier Inn – UK & Ireland	43,374	1,265	-	44,639
Premier Inn – International	921	143	(9)	1,055
Total Premier Inn (rooms)	**44,295**	**1,408**	**(9)**	**45,694**
Restaurants	**379**	**5**	**(1)**	**383**
Costa – UK	1,217	95	(10)	1,302
Costa – International	654	72	(25)	701
Total Costa (stores)	**1,871**	**167**	**(35)**	**2,003**
Costa Express/Coffee Nation (units)	**877**	**79**	**(22)**	**934**

Premier Inn UK reclassified to include Ireland

Profit by business segment
H1 2011/12

£m	H1 2011/12	H1 2010/11	Change
Hotels & Restaurants – UK & Ireland	169.6	156.7	8.2%
Hotels & Restaurants – International *	(2.5)	(2.7)	7.4%
Total Hotels & Restaurants	**167.1**	**154.0**	**8.5%**
Costa - UK	26.2	19.3	35.8%
Costa - International	1.6	0.3	
Total Costa	**27.8**	**19.6**	**41.8%**
Profit from operations	**194.9**	**173.6**	**12.3%**

* 2010/11 restated to exclude Ireland

Continued focus on returns

ROIC	H1 2011/12 %	H1 2010/11 %
Hotels & Restaurants	12.5	12.1
Costa	28.5	35.6

- Excluding Coffee Nation acquisition Costa has risen to 40.5%
- Growth in returns underpinned by good cost control

Summary – Profit & Loss
H1 2011/12

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Interest	(11.4)	(11.6)	1.7%
Underlying profit before tax	**174.9**	**151.8**	**15.2%**

H1 2011/12 central costs benefitting from VAT refund and timing benefits; underlying run rate closer to £10m

Interest charge
H1 2011/12

£m	H1 2011/12	H1 2010/11
Underlying interest charge	(11.4)	(11.6)
Pension finance cost – IAS 19	(7.8)	(5.8)
Interest charge, pre exceptional	**(19.2)**	**(17.4)**
Exceptional interest	(0.8)	-
Total interest cost	**(20.0)**	**(17.4)**

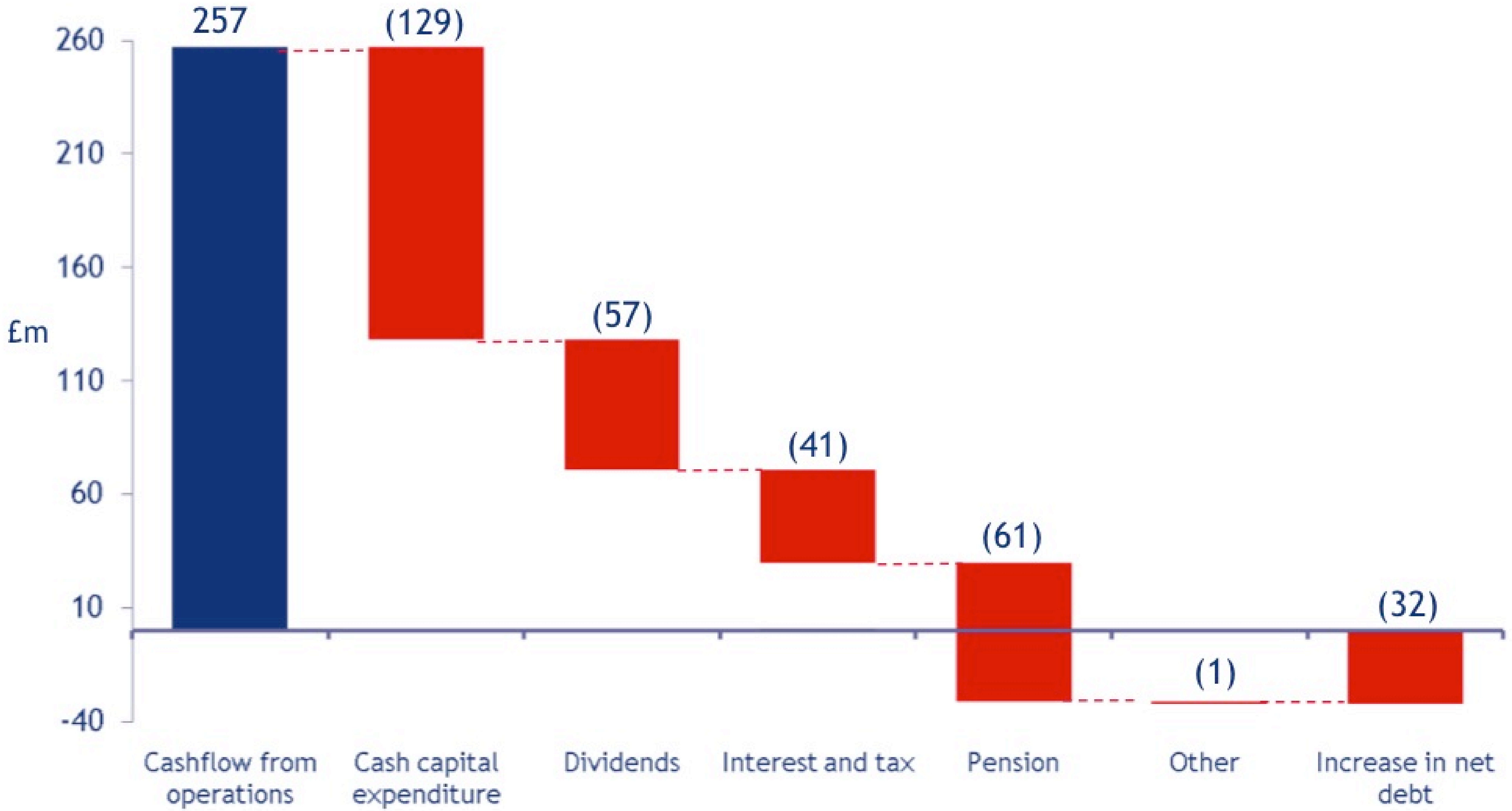
Average debt in first half £454.9m (2010/11 £484.2m)

Exceptional items

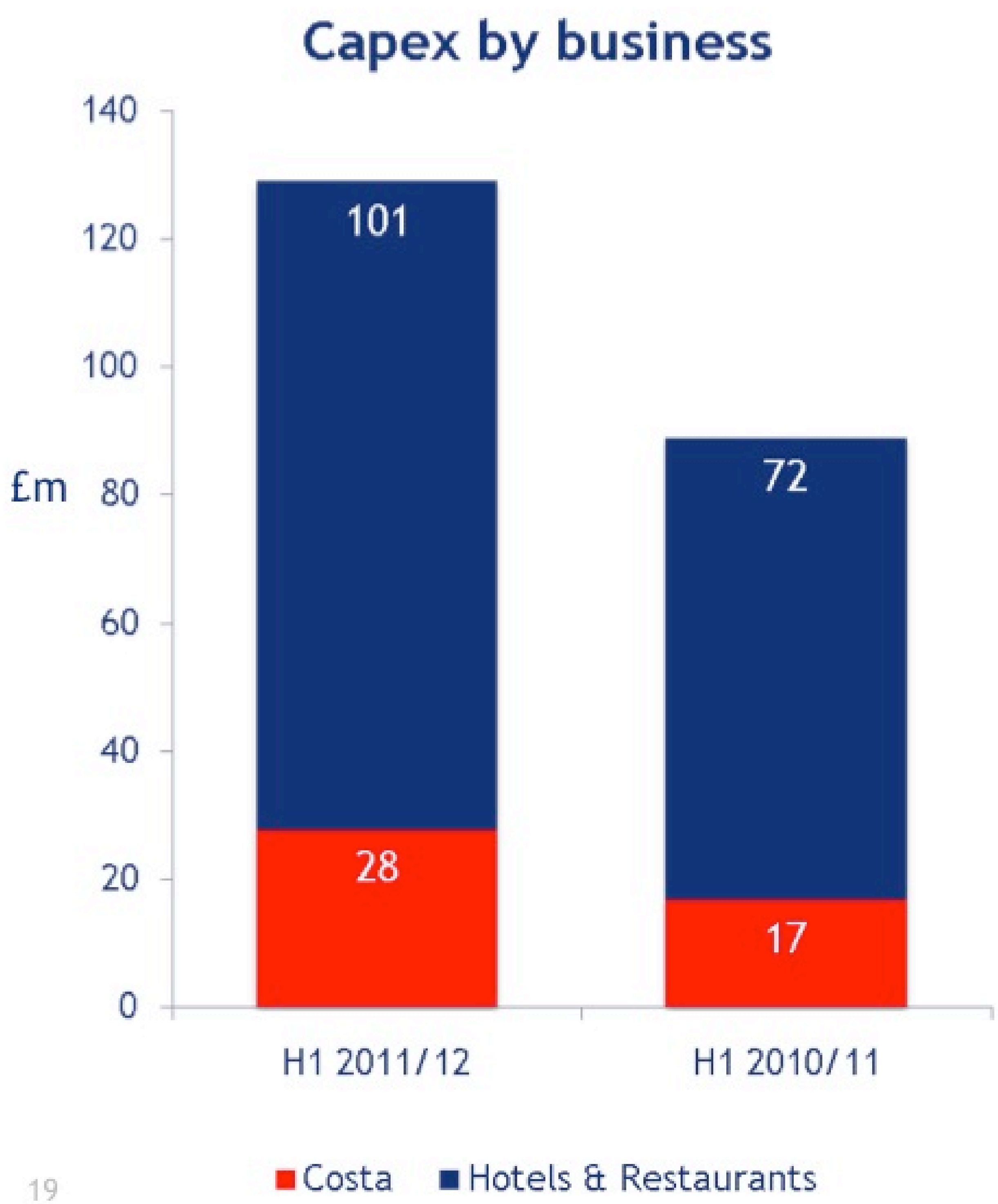
H1 2011/12

£m	H1 2011/12	H1 2010/11
Profit/loss on sale of property	24.8	-
Reduction in tax rate	18.3	9.3
Other	3.6	5.0
Tax on exceptional items	(7.7)	(1.6)
Exceptional items	**39.0**	**12.7**

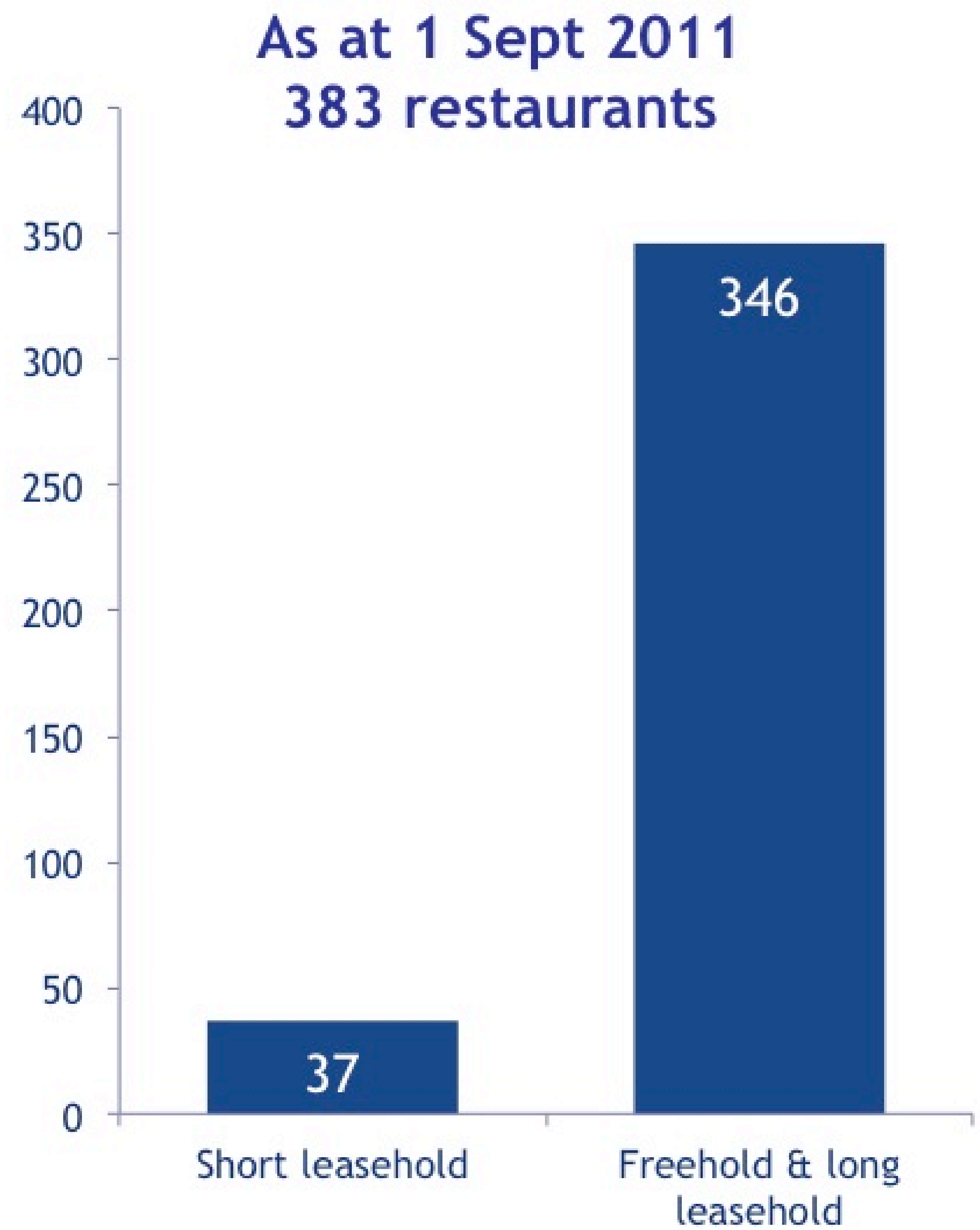
Cash flow
H1 2011/12

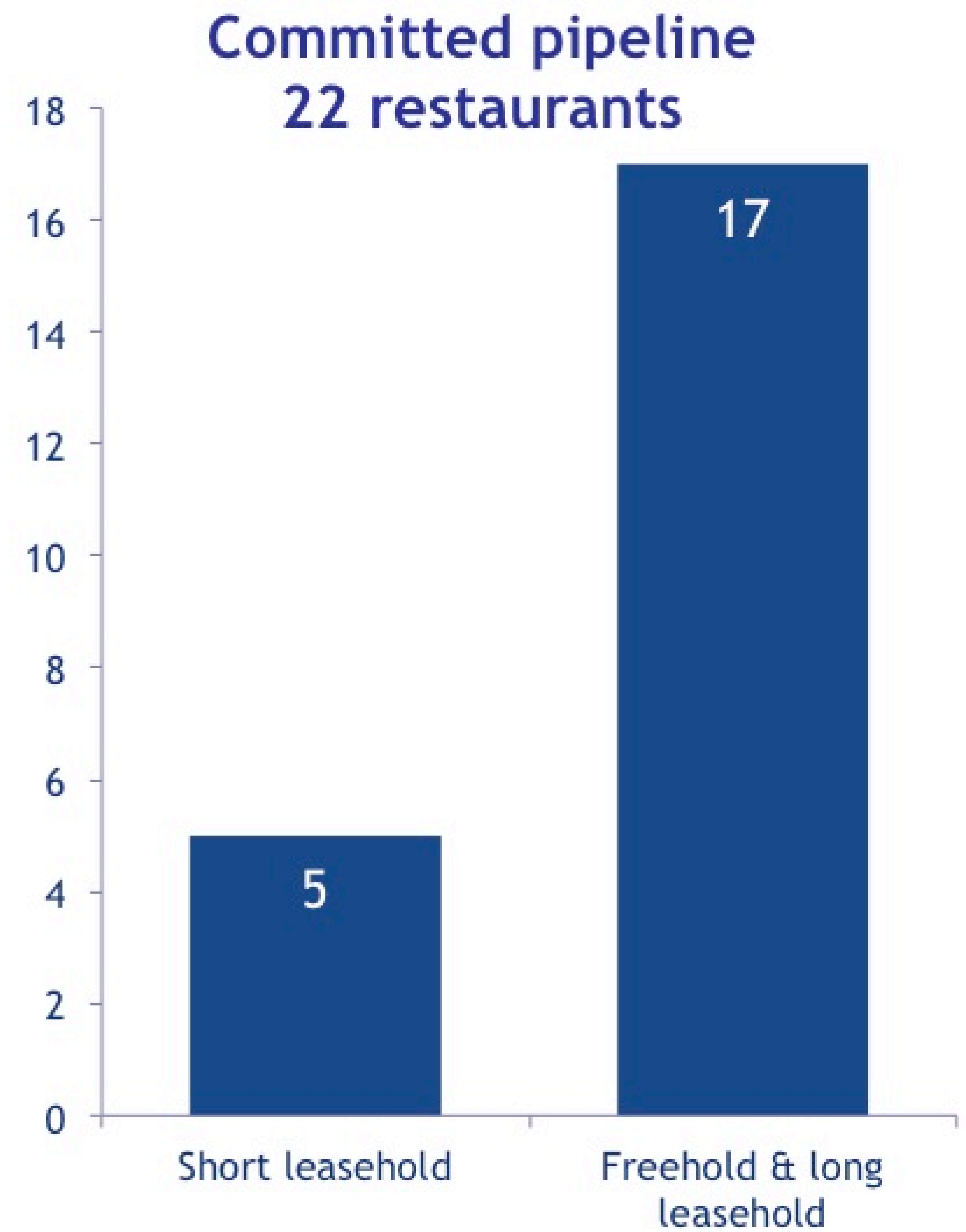


Capex
H1 2011/12

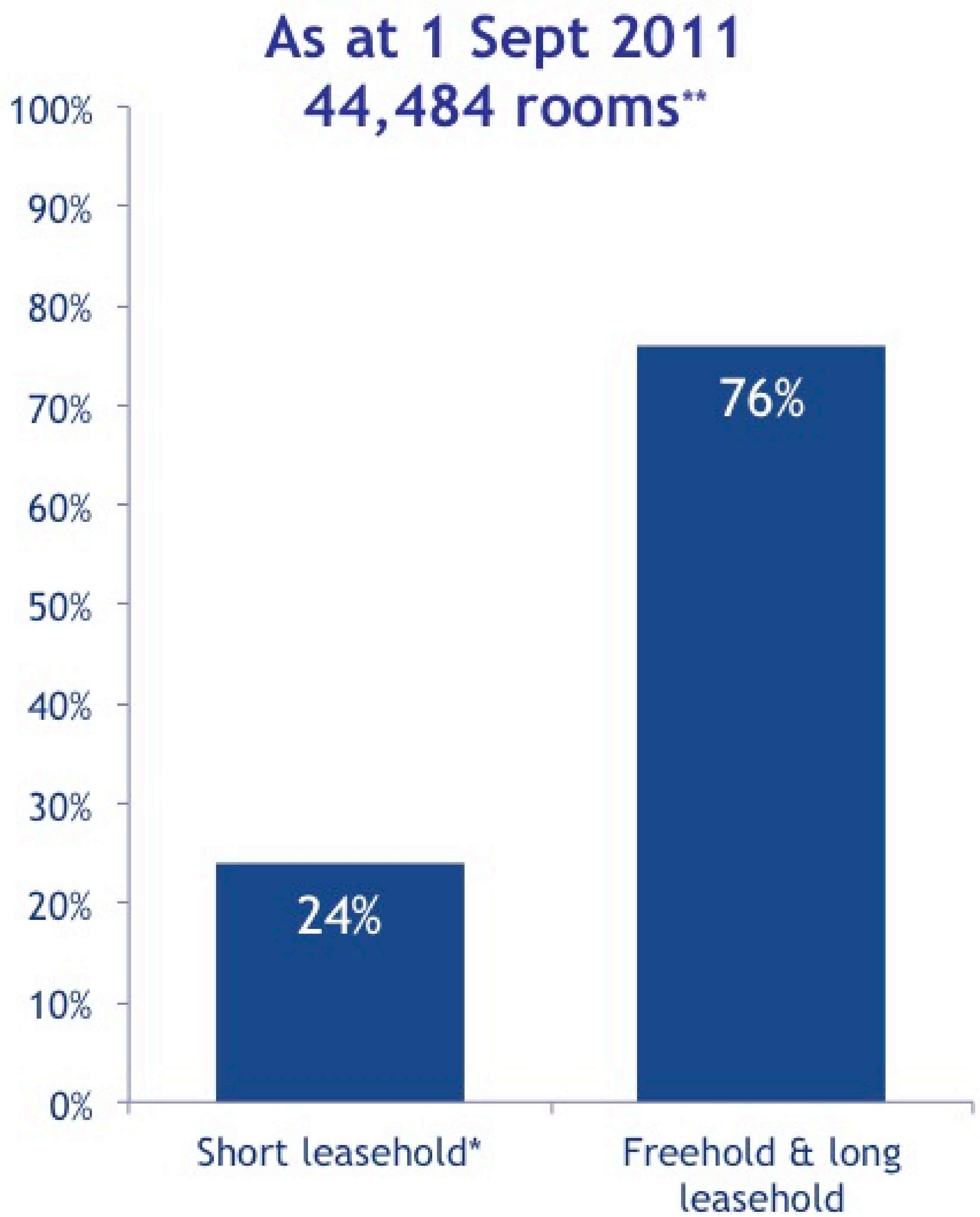


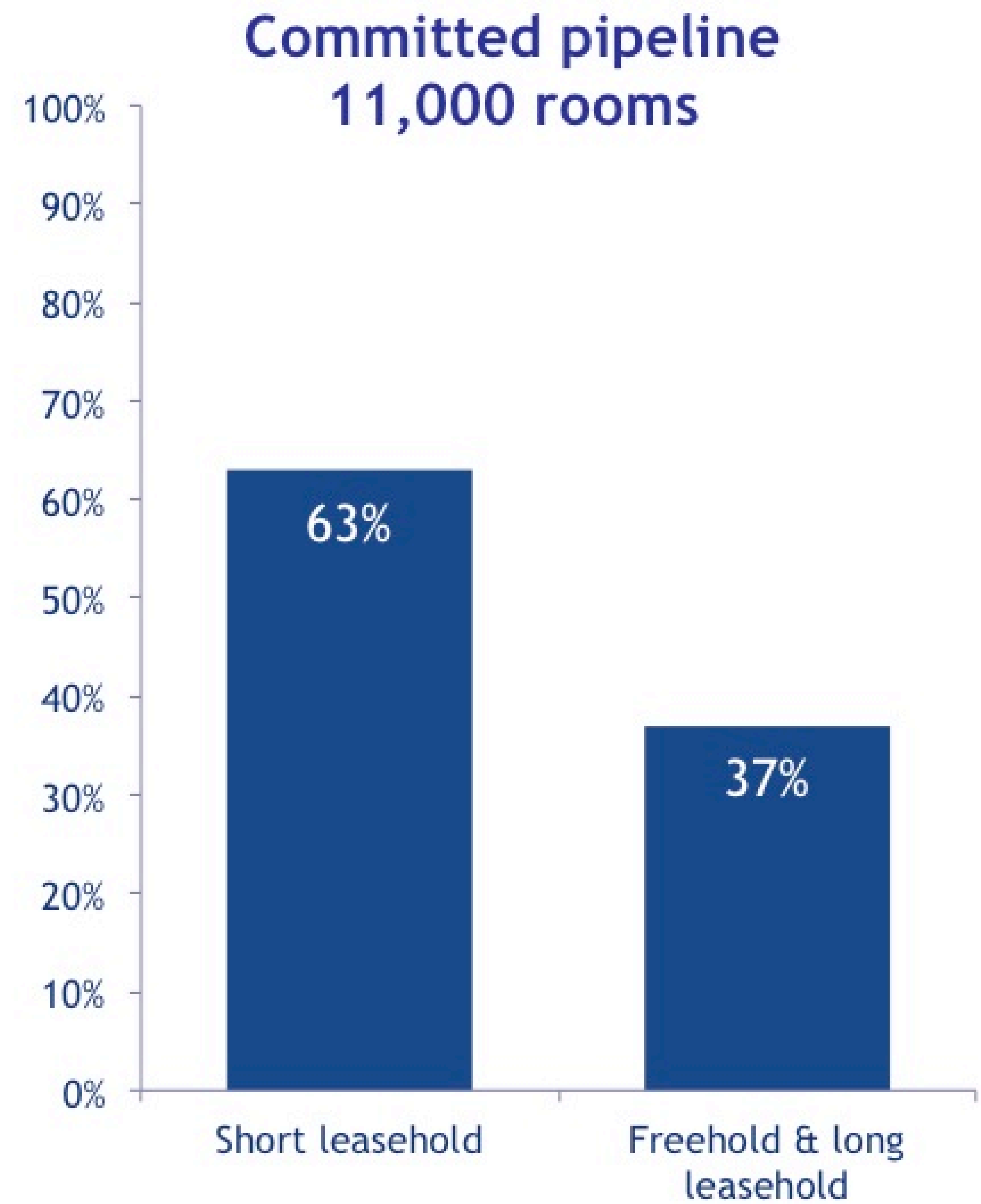
Property analysis – UK restaurants





Property analysis – UK hotels





* Including associate and franchise ** Excluding Ireland

Property analysis – UK estate

Timing of delivery of hotel rooms pipeline

	% of pipeline	% Tenure Split in year: Short leasehold	% Tenure Split in year: Freehold & long leasehold
2011/12 (H2)	25	36	64
2012/13	44	79	21
2013/14	25	63	37
2014/15	6	50	50
	100	**63**	**37**

Restaurants pipeline openings around 6-8 pa up to 2013/14

Property analysis – UK estate

Return from investment

- **Return from investment on pipeline on a reported basis c.20% at maturity**
- **Cost of Investment**
  - Short leasehold room c.£8,000
  - Freehold/long leasehold room (land and building) c.£60-65,000

Other financial items

- £156.4m Private Placement in September 2011 at average rate of 4.8%, 1st tranche of £62.6m drawn, balance in January 2012
- Sale and leaseback transaction with a net initial yield under 5.5% with proceeds of £53.8m
- IAS 19 pension deficit £517m (£423m net of tax); compares to £488m (£394m net of tax) at year end
  - Actuarial movement in H1 on scheme assets and liabilities
  - £61m payment
  - 2011 triennial review in progress

Other financial items

- Capex forecast of c.£325m for 2011/12
- Effective tax rate for 2011/12 c.27%, falling to c.26% in 2012/13
- Full year pension fund interest charge £14.0m

Summary

- Robust operating cash flow supported by strong asset backing
- Underlying profit before tax £174.9m + 15.2%
- EPS, Underlying 72.20p +17.8%
- Proposed interim dividend 17.50p +55.6%

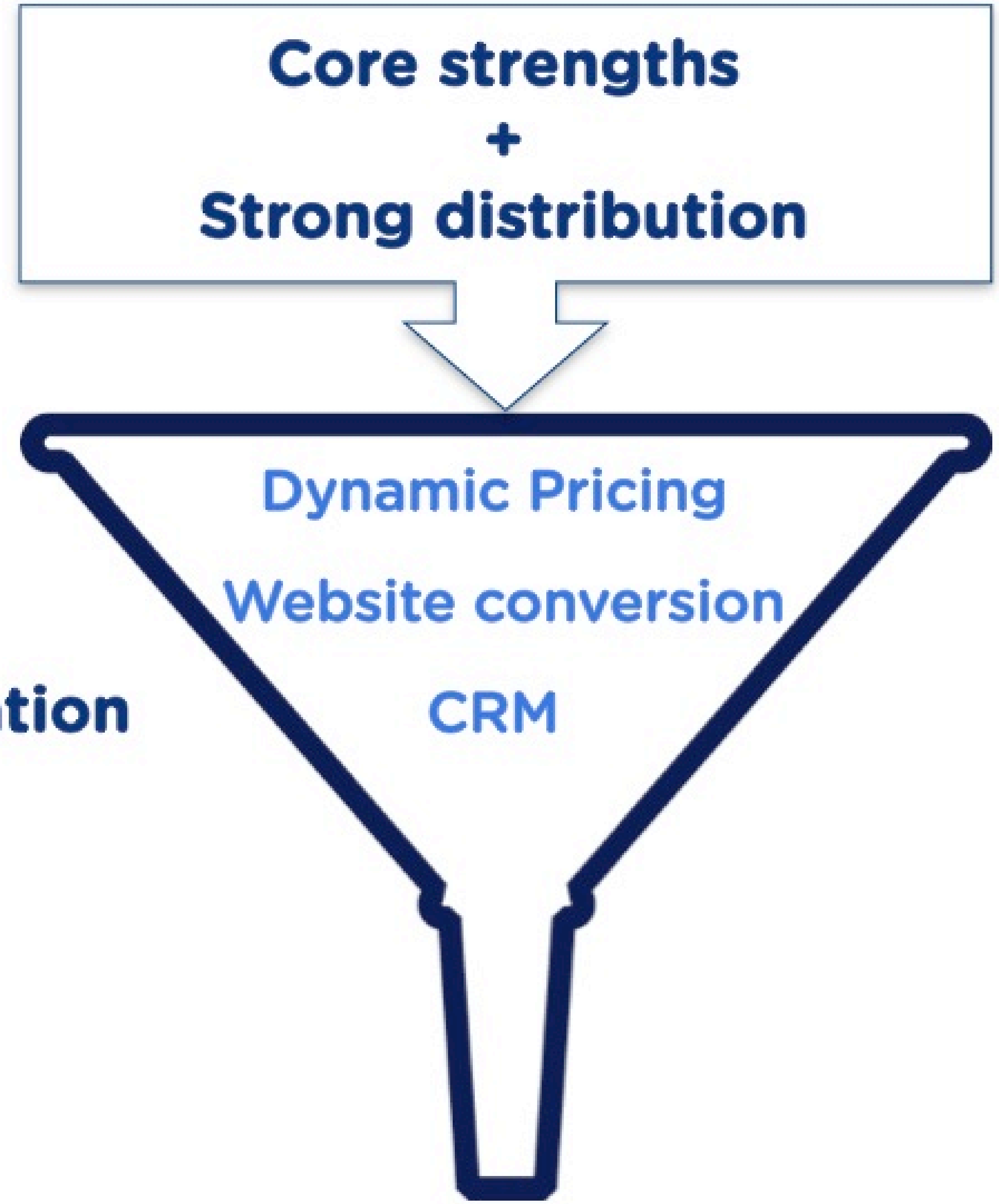
Andy Harrison

Chief Executive

Agenda

- Building strong brands
- Driving profitable organic growth
- Current outlook
- Summary

Optimising a strong model



Business optimisation

Driving performance

Loyalty
+
RevPAR

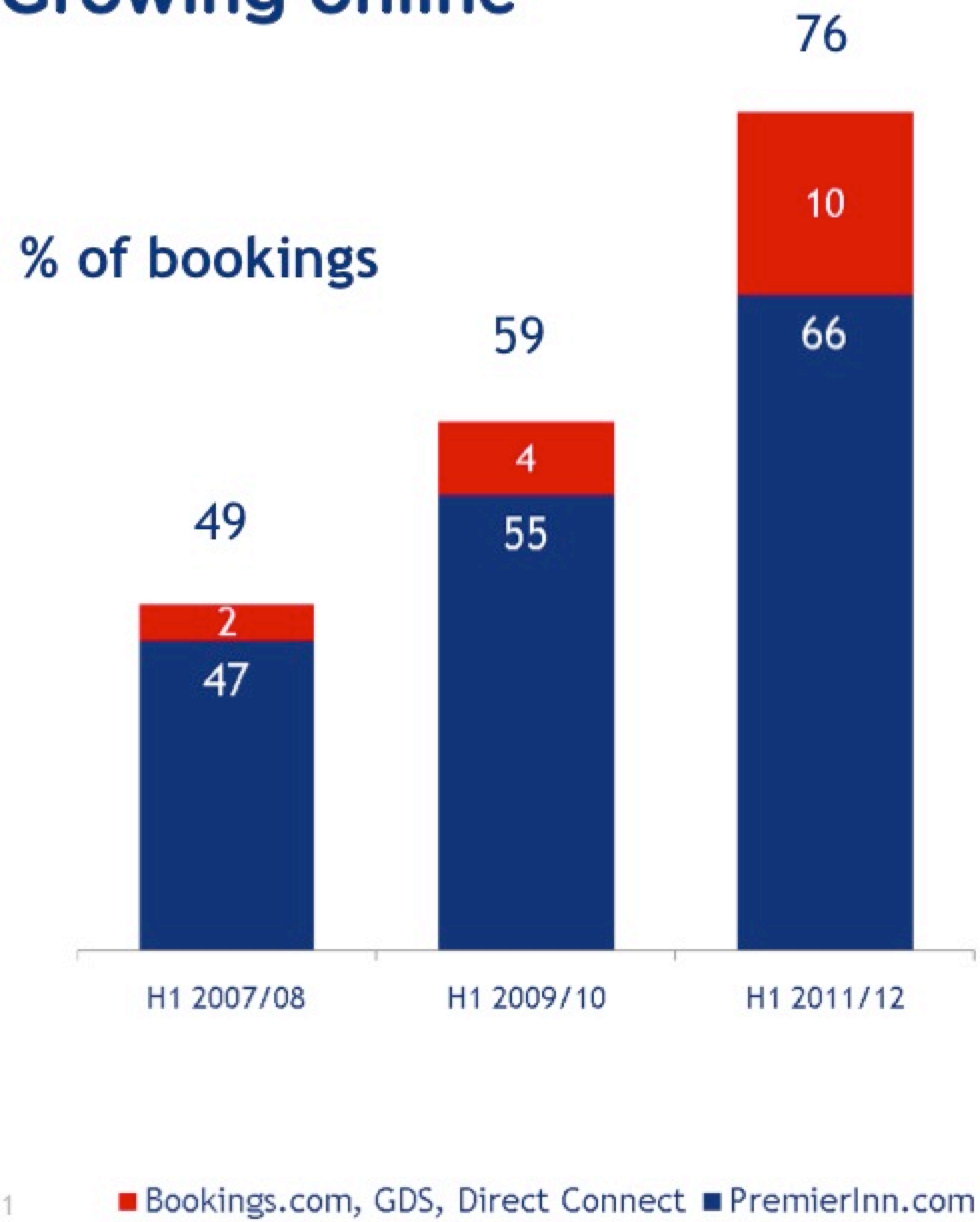
Core strengths

Strong brand	Great product	Biggest UK network
YouGov no.1	Good Night Guarantee	44,484* rooms 601* hotels
Awarded Best Budget hotel chain	Standard room size	Travelodge c.33,000 rooms 472 hotels
	On-site restaurant	Hilton c.18,000 rooms 88 hotels
	Well maintained estate	

* Excludes Ireland

Strong distribution

Growing online

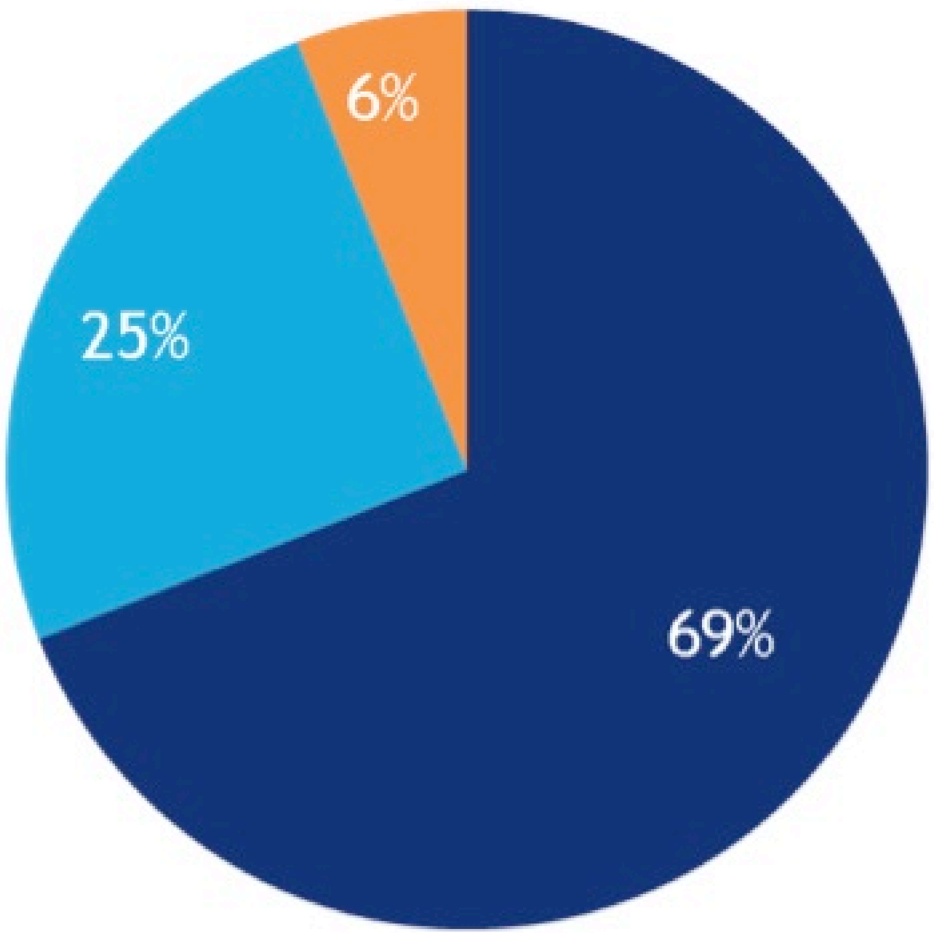


- **PremierInn.com**
  22m visitors to site (+25%)
  £252m revenue booked (+23%)
- **Mobile app**
  January 2011
- **TripAdvisor**
  June 2011

Strong distribution

Building Business Account relationships

Strong and broad corporate base



- Micro: 5-49 staff. Average spend £4,099
- SME: 49 -500 staff. Average spend £19,002
- Corporate: 500+ staff. Average spend £22,623

- Sales up 13% to £103m*
- 26% of Premier Inn revenue
- 16,197 live† accounts (+6.4%)
- Average 8.9 cardholders per account
- Average 9.5 room nights per cardholder per annum

* Includes F&B †used in last 12 months

Business optimisation

Targeting with CRM

Phase 1 live August 2011

Database of 6m customers

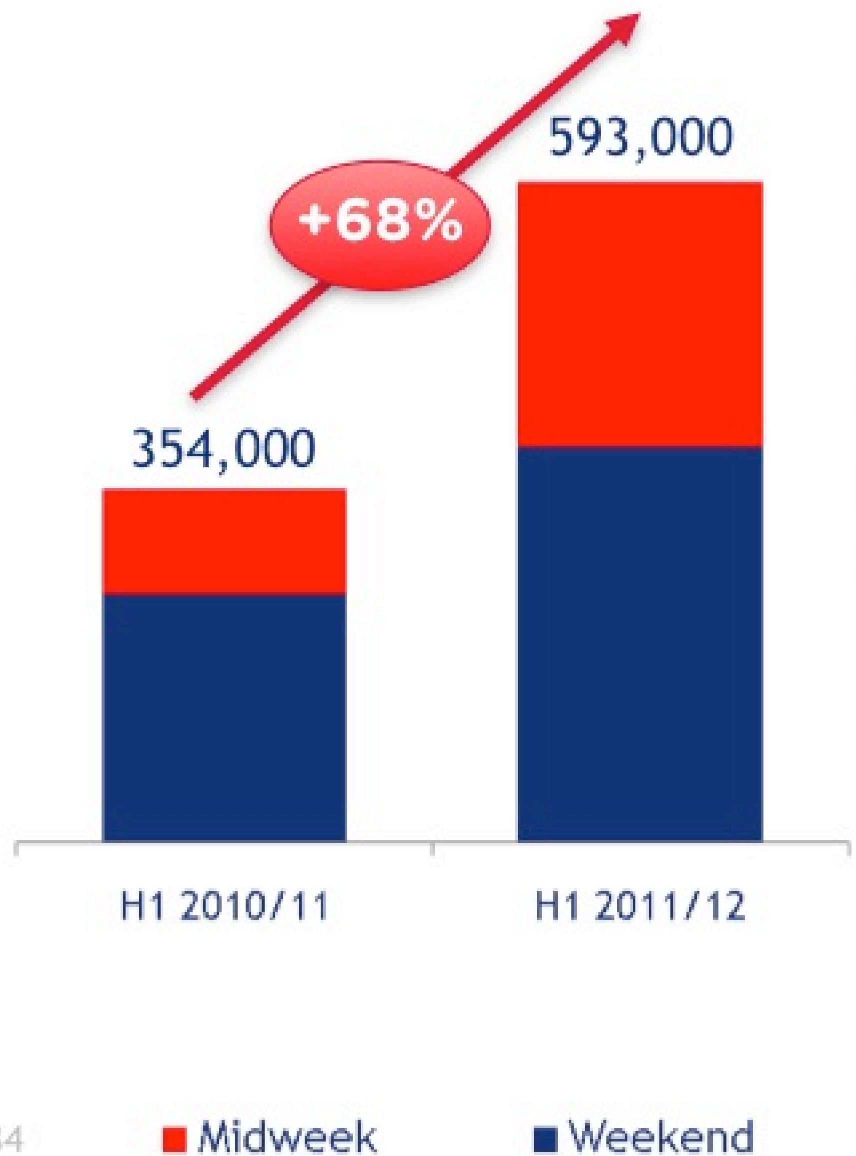
Early benefits:

- Weekend Rewards
  £2.0m incremental revenue and
  £1.1m incremental profit
- Successful targeted email promotions

Business optimisation

Premier Offers becomes Premier Savers

£29 Premier Offers rooms booked



Midweek up 125%

Weekend up 43%

- **£29 Premier Offers successful promotional tool**
  - Drives weekend and holiday occupancy
  - Non refundable, pay on booking
- **New challenges**
  - Refundable pricing drives 13% (mostly late) cancellations at substantial cost. Do customers fully value flexibility?
  - High refundable prices less competitive for midweek early bookers

Business optimisation

Developing dual price structure

Premier Savers rooms booked

Revenue: £14m £26m

Midweek up 183%

Weekend up 65%

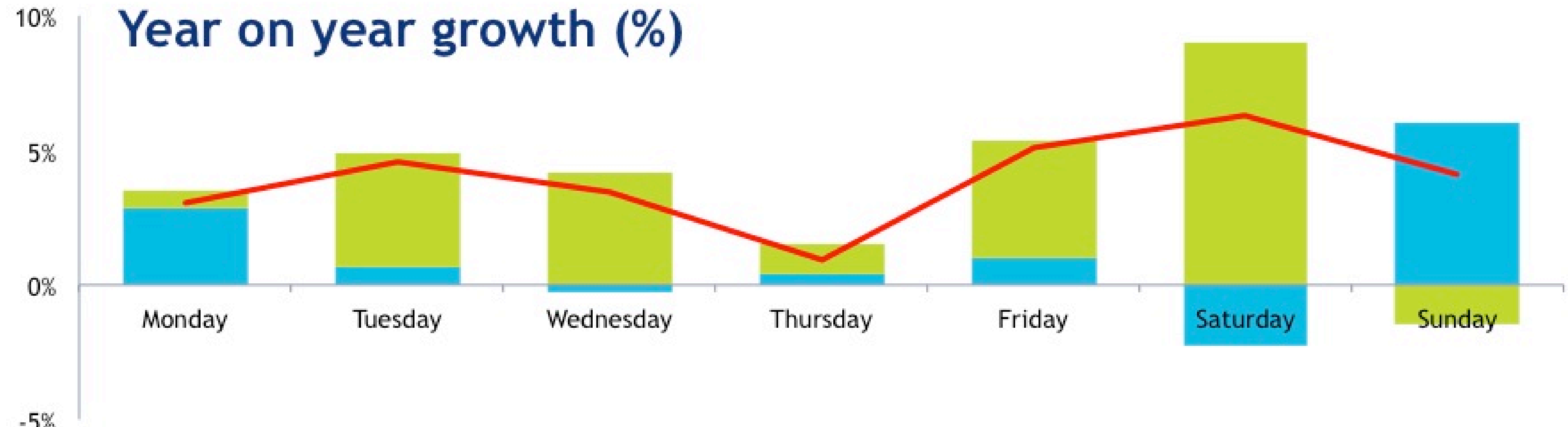
Premier Flexible	Premier Savers
Refundable	Non-refundable
Pay on check-in	Pay on booking
Always available	Generally unavailable <7 days out

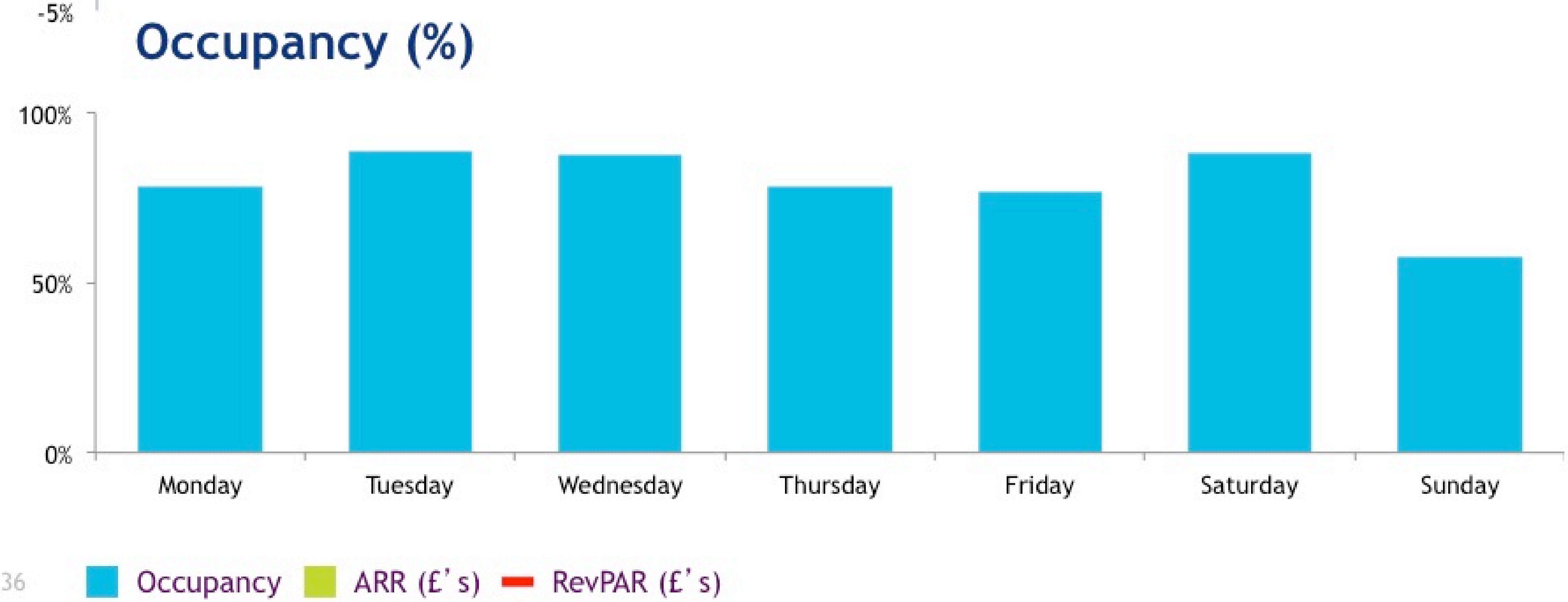
- **Premier Savers pricing dynamics on trial in 130 hotels**
- **Gradual roll out to understand shape and interaction between price curves**

£19 £29 £39 £49-£69 £79-£99

Business optimisation

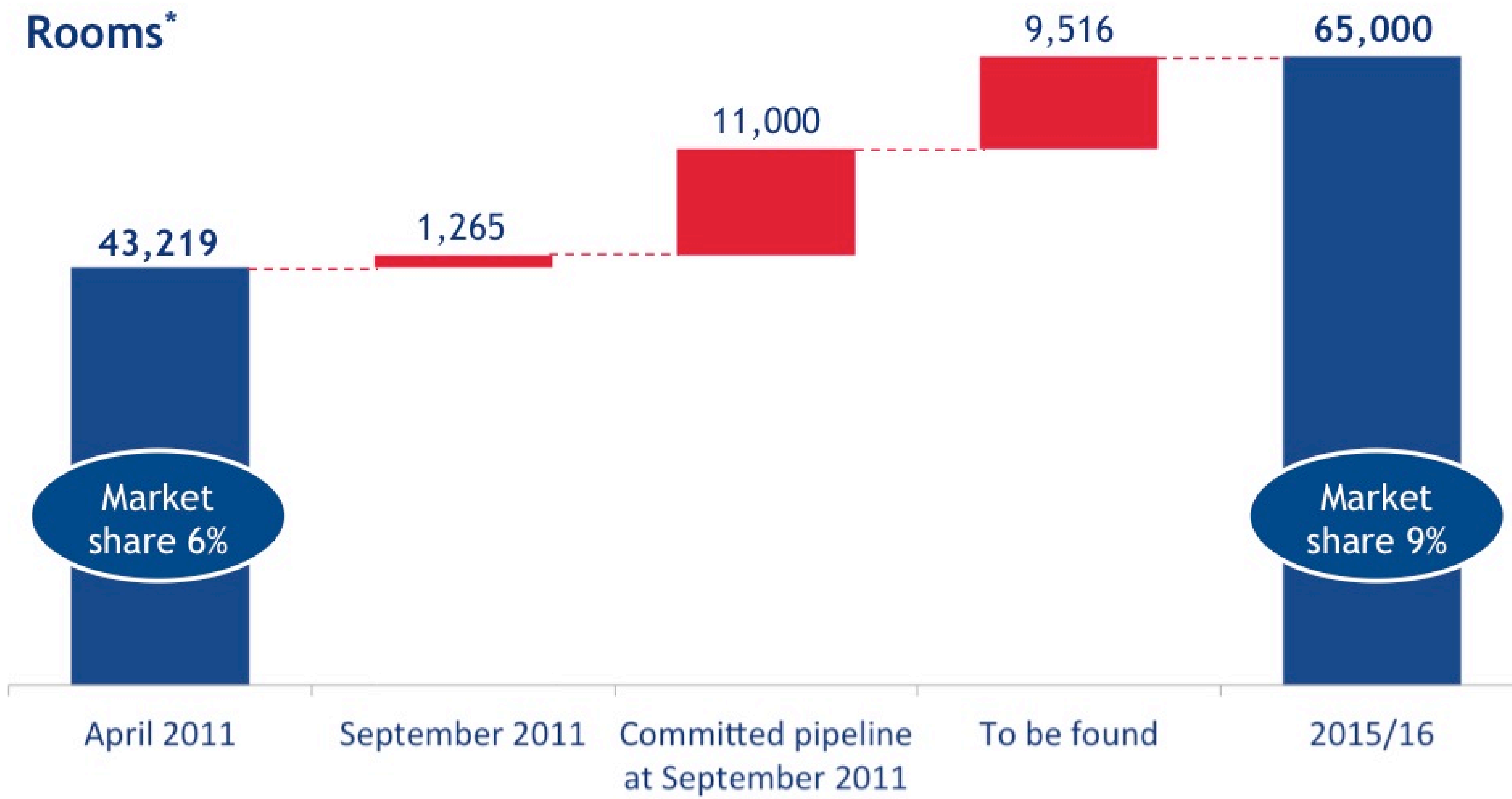
Dynamic pricing drives RevPAR





On track UK growth milestones

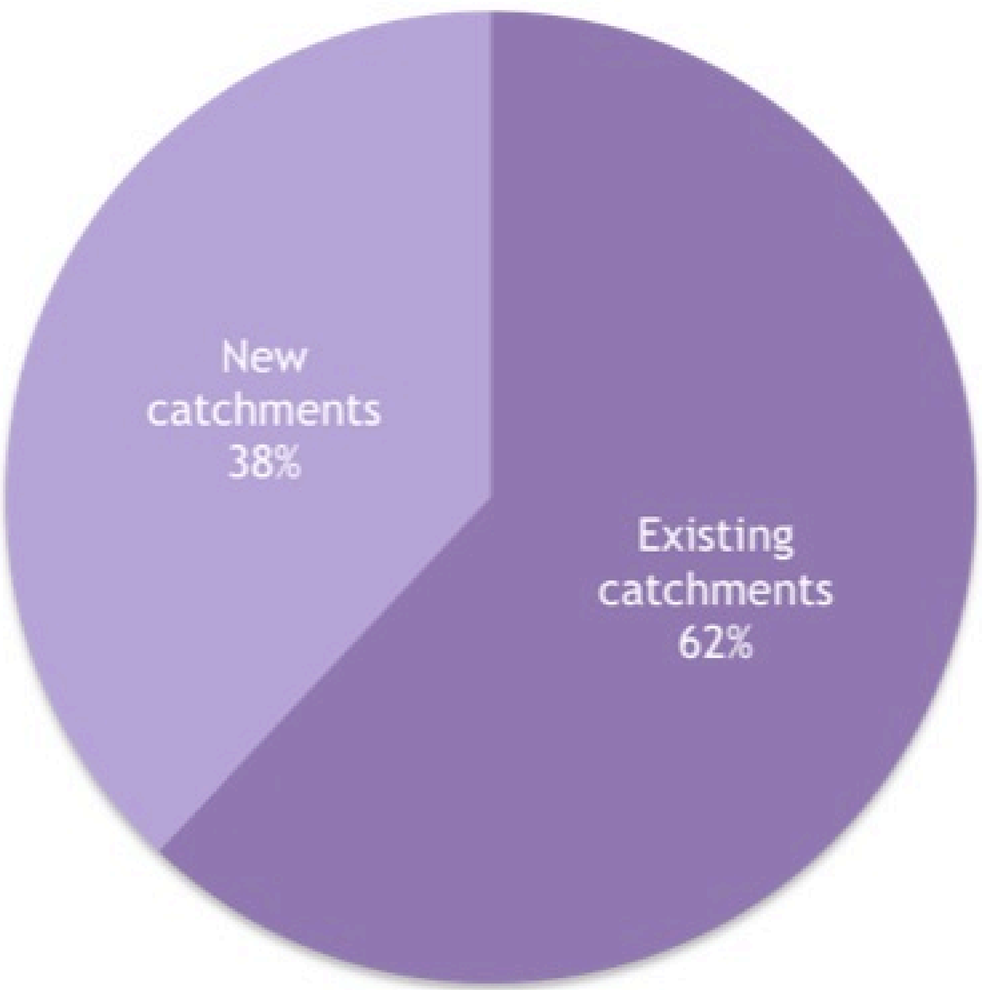
55,000 rooms secured

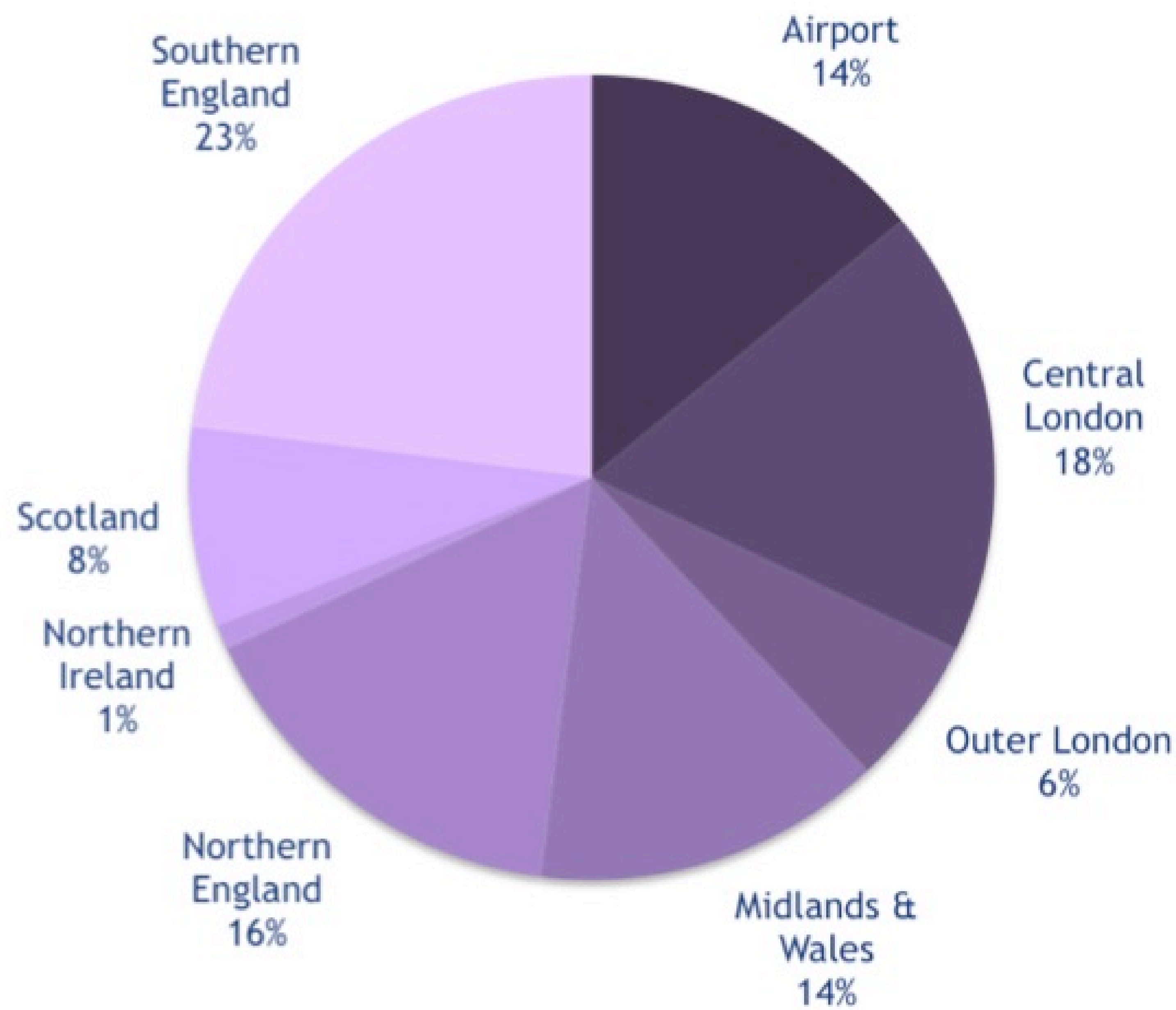


* Excludes Ireland

Profile of committed pipeline

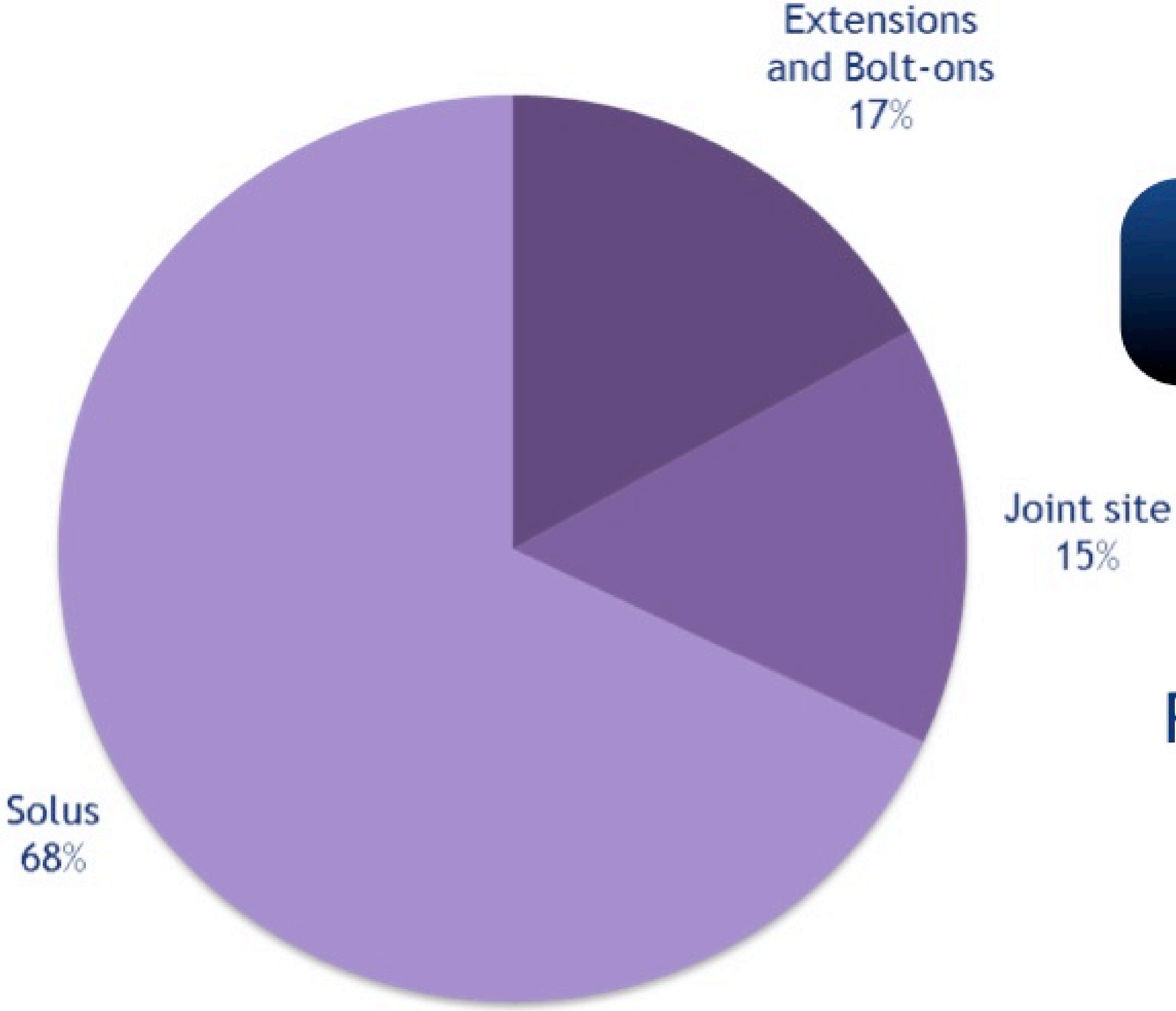
11,000 rooms, 73 hotels





Profile of committed pipeline

11,000 rooms, 73 hotels



22 new restaurants

Return on investment c.20%

Focus within WHR family

Background

- Premier Inn increasingly centralised, Restaurants very localised
- Distinct operational and commercial levers
- Differential rate of growth

Premier Inn

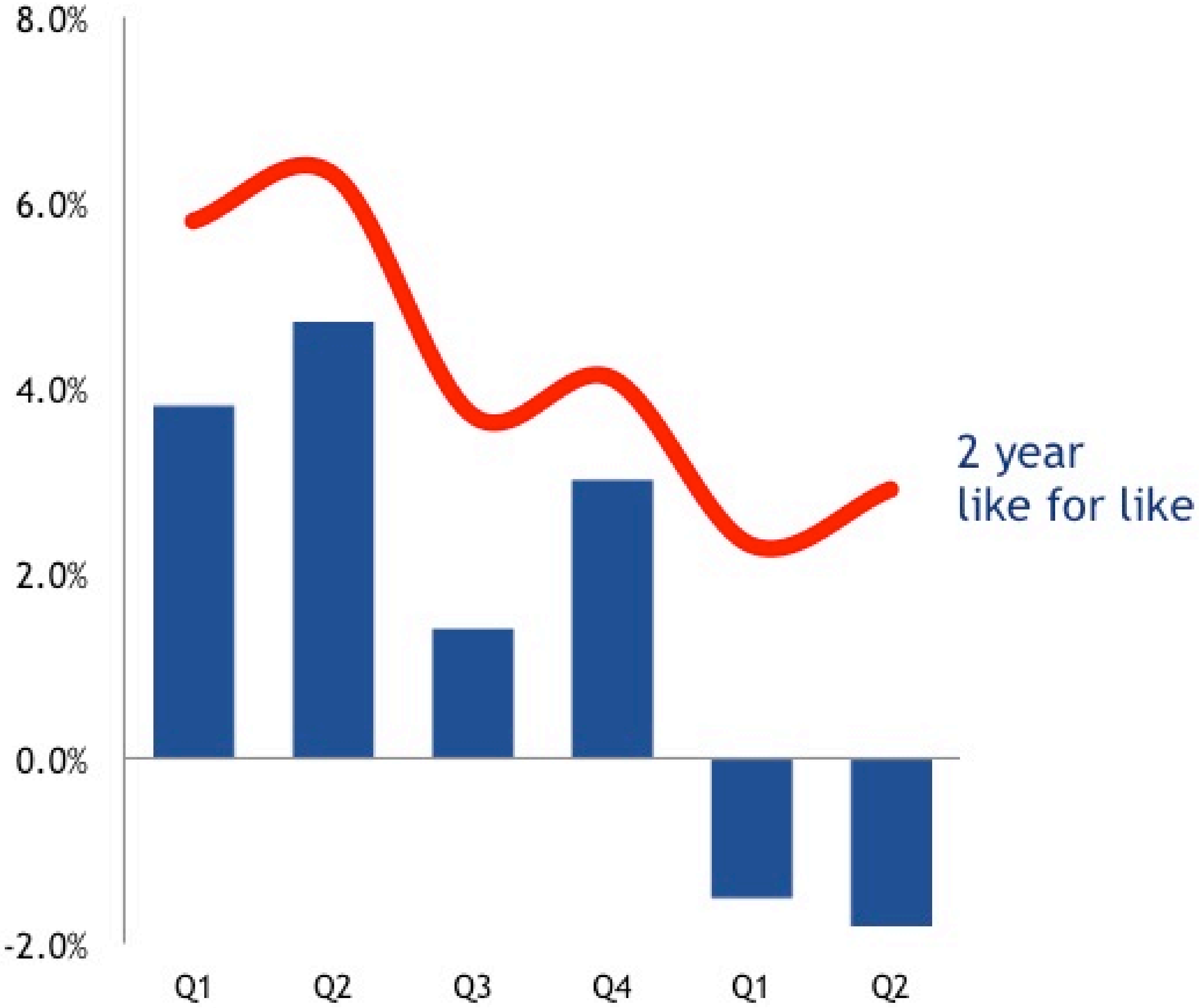
- 112 Cluster Managers
- Facilitates growth
- Consistent and better customer experience

Restaurants

- Focused top team
- 353 joint site managers now focused on their restaurant

Increasingly value driven market

Like for like sales, year on year %



- **Lower price points performing better***

Brewers Fayre (sph £11)

Table Table (sph £14)

Beefeater (sph £17)

* Food and beverage sph including VAT

Increasingly value driven market

Stronger, better value menus

- Brewers Fayre:
  Buffet Place – all you can eat £5.99
- Beefeater and Table Table:
  Main dishes off-peak from £4.99 + new menus

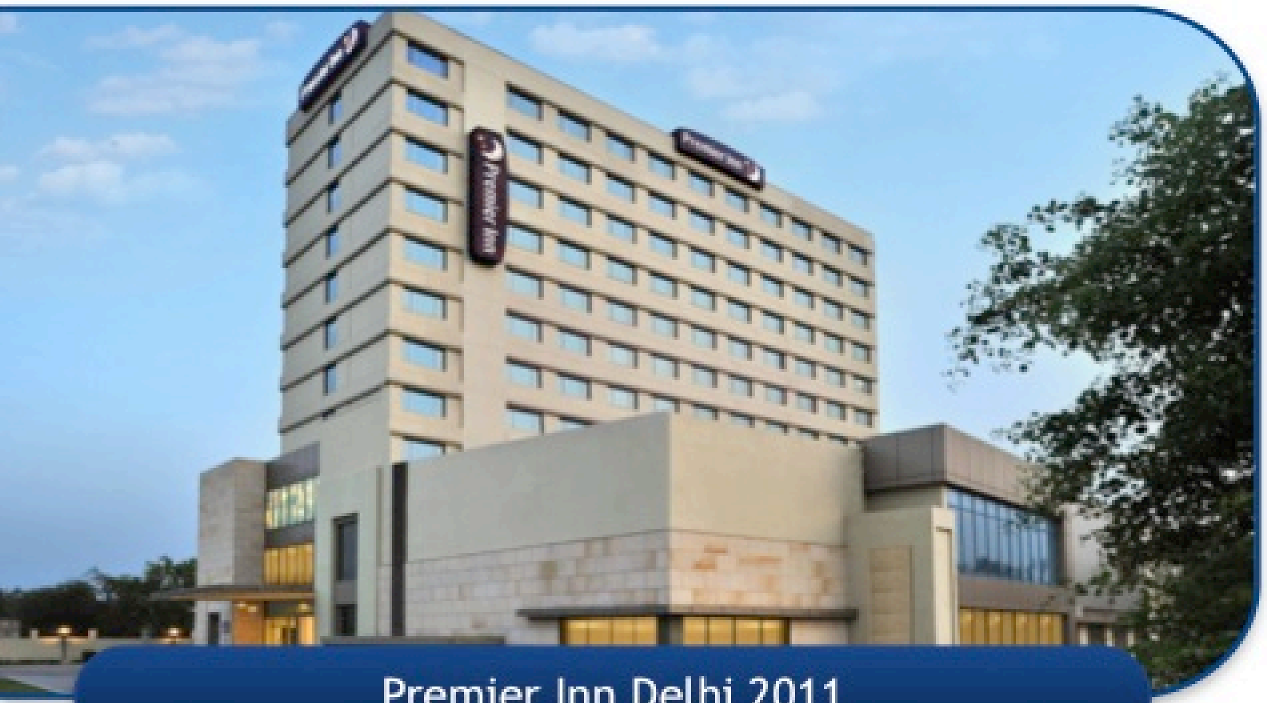
  Drinks promotions
  £7.99 Breakfast launch
  Costa 'Proud to Serve'

Delivering operational excellence

- Skills Academies
- Team member incentives

Premier Inn International

Premier Inn Dubai International Airport 2010


Premier Inn Delhi 2011

Middle East and India performance

- 5 hotels
- Average RevPAR +15%
- Average occupancy* +7ppt

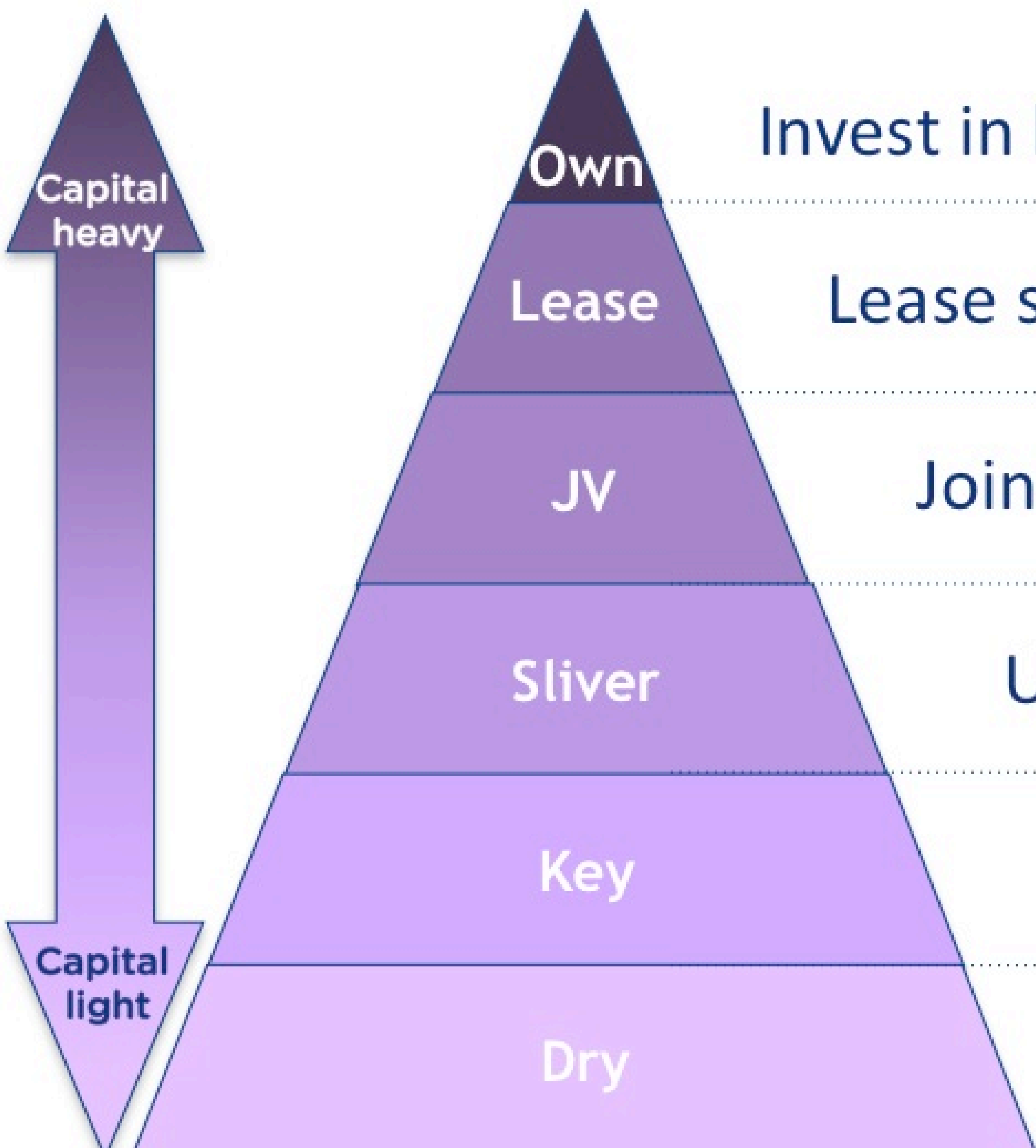
New openings

- Middle East
  - Premier Inn Abu Dhabi Capital Centre (2011)
  - Premier Inn Abu Dhabi Airport (2013)
  - Doha Education City (committed)
- India
  - Premier Inn Pune (under construction)
  - Premier Inn Goa (committed)

* Excluding Delhi

Premier Inn International

Capital right framework



Invest in land and property

Lease shell, responsible for fit out

Joint Venture

Up to 25% as equity investment

Small contribution to development costs

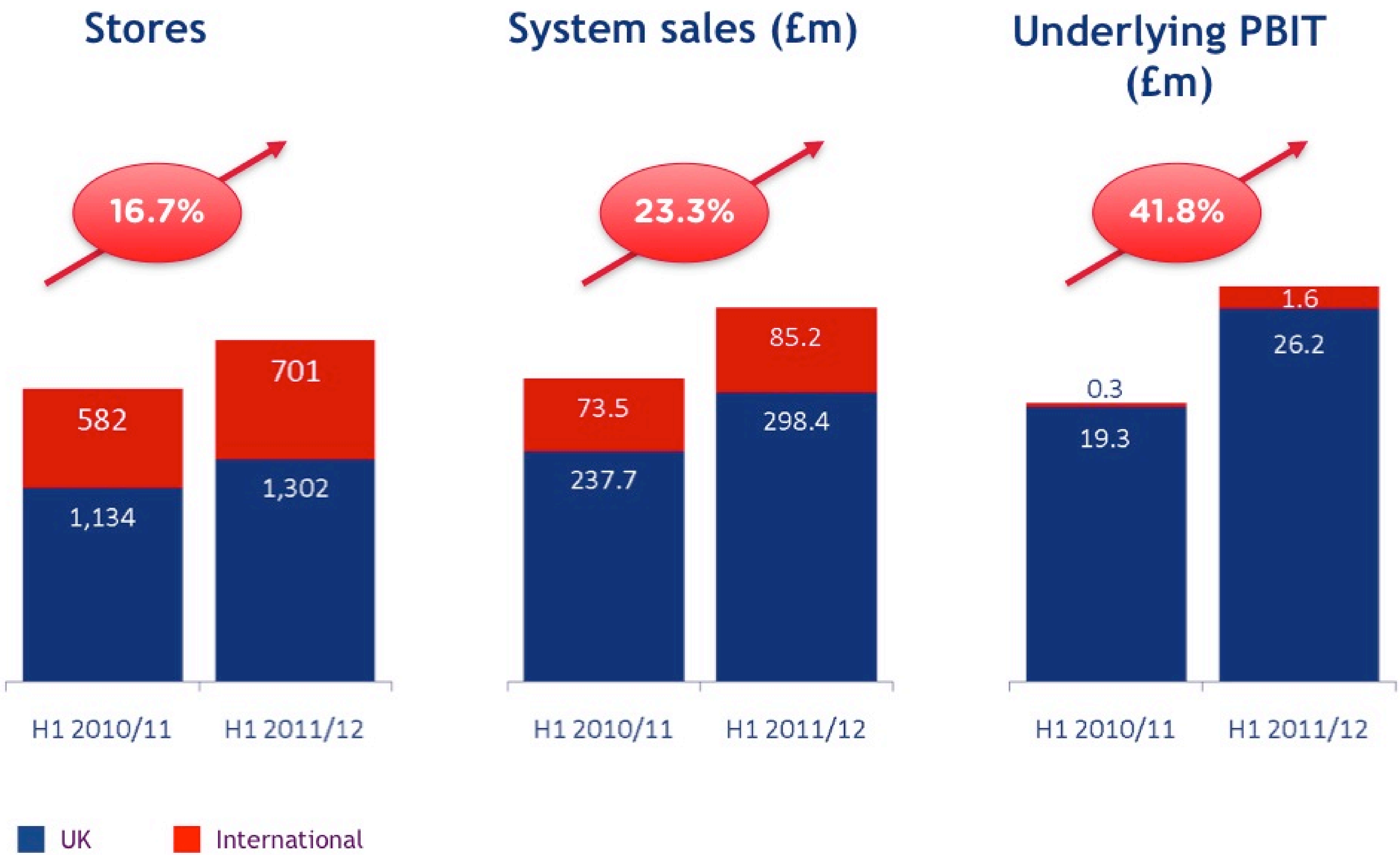
No equity commitment,
pure management contract

Premier Inn International

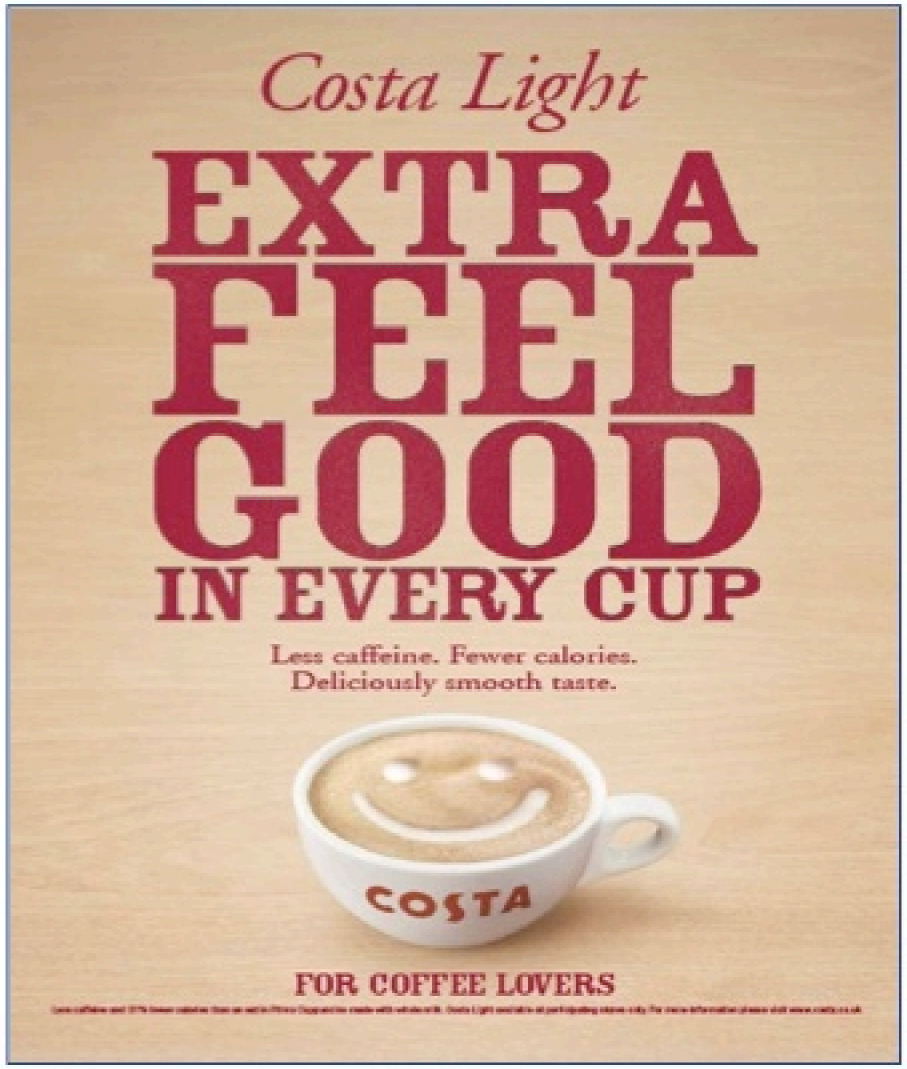
Shape of development

- **Capital right benefits**
  - Speed of roll out
  - Risk sharing
  - Need scale for material profits
- **Target territories**
  - Middle East
  - India
  - Asia Pacific
- **Capital allocation**
  - Investment to date c.£50m
  - Approx. £30m pa
  - Capital intensity reduces with capital right mix

Outstanding results



Product development



3 NEW FLAVOURS IN RANGE

SALES UP 44%

FEWER CALORIES AND LESS CAFFEINE

LAUNCHED SEPTEMBER 2011

Channel development

Roadside

- 3 Drive Thru's opened
- 10 more in the pipeline
- Opportunity for 75

- In 785 roadside locations
  - 187 Stores
  - 598 Costa Express/Coffee Nation units

Store design strategy

COSTA

HIGH STREET

METRO

INTERNATIONAL

- **Customer segments**
  Recharge, Relax, Refuel
- **Channels**
  High street, Office, Retail Parks, Travel, Shopping Centre, Drive Thru
- **Type**
  "Metro" (Urban/younger), "Evolution" (provincial/mature)

Costa growth milestones

		2010/11	2015/16	
Costa	Stores			
	UK	1,217	1,900	
	International	654	1,600	
	Total	1,871	3,500	Nearly double
	System sales	£659m	£1.3bn	Double
	Profits	£50m	£100m +	More than double
Costa Express/ Coffee Nation	Units	877	3,000	Triple + Quadruple profit contribution

On track to deliver growth milestones

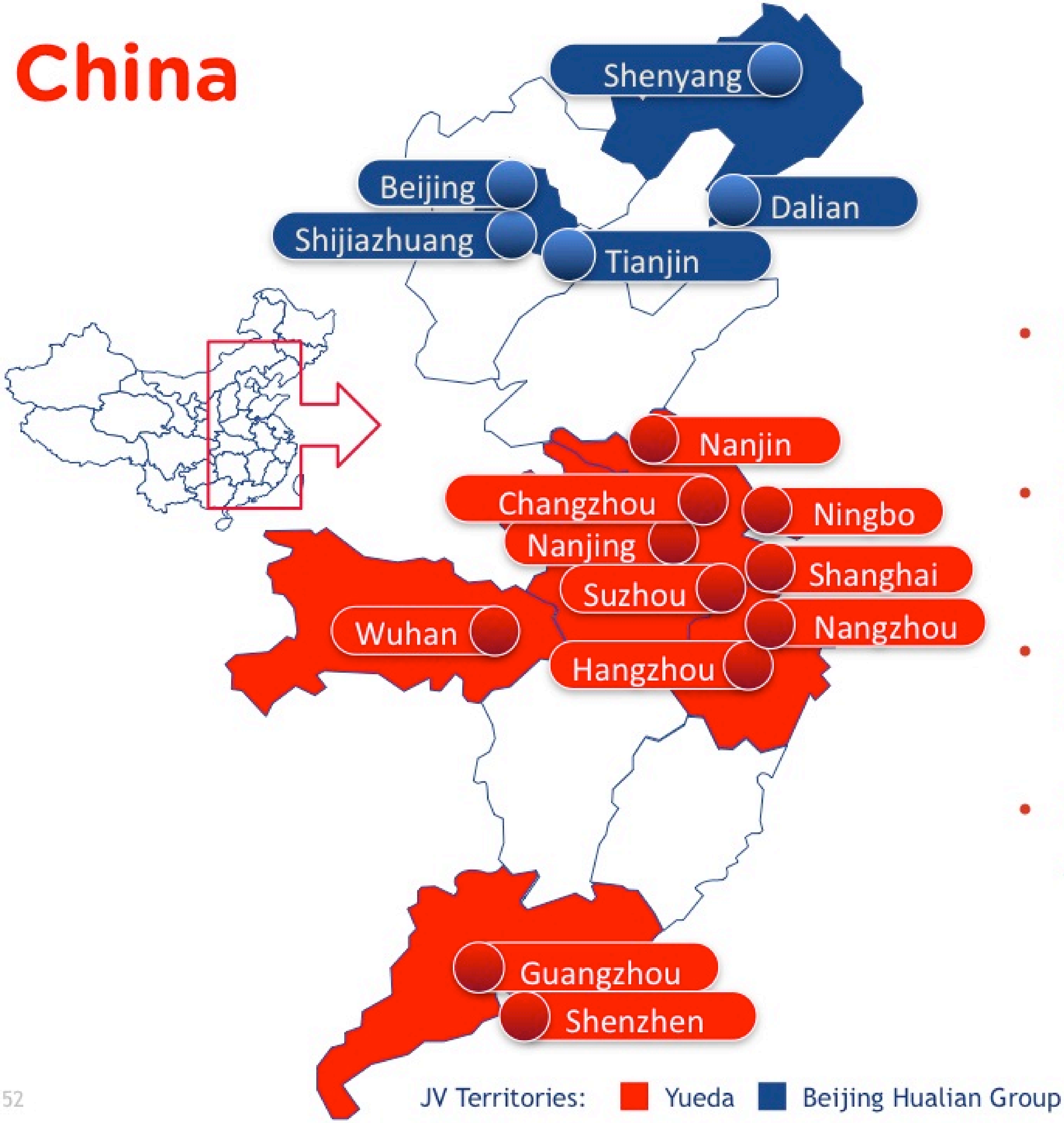
COSTA

	2011/12 outturn	2015/16 target*
Costa UK		
UK Equity NSOs	80	+ 400-500
UK Franchise NSOs	70	+ c.200
Costa Express new units	250 new 500 conversions	+ c.2,100
Wholesale PBIT growth	+ 25%	Double PBIT
International		
Franchise NSOs	70	+ 350-650
Coffeeheaven NSOs	25	+ 100-200
China NSOs	55	+ 200-300

* As at Costa Investor Day May 2011

China

COSTA



- **Like for like growth of >30%**
- **16 cities, 117 stores at H1**
- **50+ new stores during 2011/12**
- **100th store opened summer 2011**

Costa Express

- **Positive customer feedback**
  - 20% increase in cups sold post conversion
- **Exciting unit growth**
  - Rebranding existing units - 500
  - New units - 250
  - Strategic partnerships in place
  - On target to achieve 3,000 by 2015/16

Outlook

- Overall H1 sales performance best guide to the Group's underlying trading
- Monthly trading continues to be variable in challenging consumer economy
- First half puts us on track for full year results in line with expectations
- Strong and profitable growth drives shareholder value
  - Premier Inn UK expects to open 4,000 rooms in FY 2011/12
  - Costa expects to open 300 new stores

Summary

- **Good H1 performance**
  - In line for full year expectations
- **Growing strong brands, winning share with strong customer propositions**
- **Driving operational performance in tough consumer environment**
  - And building in growing international markets
- **On track to deliver five year growth milestones**
  - Focused on returns and driving shareholder value
- **Strong balance sheet and asset backing**

Q&A

Standard Information
General

EAT SLEEP & DRINK WHITBREAD

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 2011/12 and 2010/11 or closed during 2011/12
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 for the year to the balance sheet date, 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

		HY 2011/12	HY 2010/11	FY 2010/11
Solus Inc Int				
Sales	£m	229.2	201.9	403.8
IBFC	£m	134.4	115.7	231.2
IAFC [1]	£m	76.0	64.7	125.3
Net Assets [6]	£m	977.8	955.6	965.3
Joint [2]				
Sales - Joint Sites	£m	412.7	401.1	768.9
IBFC	£m	186.4	180.3	340.4
IAFC [1]	£m	132.5	129.7	238.1
Net Assets [6]	£m	1,385.3	1,313.9	1,332.9
Total				
Sales - Premier Inn	£m	393.4	355.7	698.6
Sales - Restaurants	£m	248.5	247.3	474.1
Total Sales	£m	641.9	603.0	1,172.7
IBFC		320.8	296.0	571.6
IAFC	£m	208.5	194.4	363.4
EBITDA from Operations [3]	£m	208.0	193.8	363.1
Underlying EBIT from Operations	£m	167.1	154.0	283.4
Total Net Assets	£m	2,363.1	2,269.5	2,298.2
Cash Capital Expenditure - Total	£m	100.7	71.7	169.2
Key Operating Measures (UK & Ireland)				
ARR (Total)	£	£55.73	£54.25	£54.19
Occupancy (Total)	%	79.1%	78.4%	75.5%
Occupancy (Like for Like)	%	79.4%	79.2%	76.2%
Yield (Total)	£	£44.11	£42.52	£40.90
Like for Like Sales Growth PI	%	5.2%	10.1%	8.6%
Like for Like Sales Growth REST	%	-1.6%	4.2%	3.3%
Underlying Operating Margin	%	26.0%	25.5%	24.2%
ROIC [5]	%	12.5%	12.1%	12.3%

[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] Return on capital (ROIC) is based on underlying EBIT from operations for the year to 1 September 2011, divided by the segmental net assets with no allocation for UK debt, taxation liabilities, pension and centrally held provisions as at 1 September 2011.

[6] Net assets have been restated in FY 2010/11 to be consistent with the allocations and classifications used in HY 2011/12.

Standard Information
Hotels & Restaurants cont.

	HY 2011/12	HY 2010/11	FY 2010/11
Number of Rooms			
Solus			
- Managed	23,075	21,741	22,479
- Associate	282	282	282
- Franchise & Management Contract	449	1,082	449
Total Solus	23,806	23,105	23,210
Joint Sites	20,833	19,559	20,164
Total UK and Ireland	**44,639**	**42,664**	**43,374**
International [1]	1,055	924	921
	45,694	**43,588**	**44,295**
Number of Hotels			
Solus			
- Managed	235	225	230
- Associate	1	1	1
- Franchise & Management Contract	13	28	13
Total Solus	249	254	244
Joint Sites	353	339	347
Total UK and Ireland	**602**	**593**	**591**
International [1]	5	4	4
	607	**597**	**595**
Restaurant Outlet Details			
- Beefeater	132	129	131
- Brewers Fayre	129	127	129
- Table Table	115	111	112
- Taybarns	7	7	7
- Managed	383	374	379
Numbers with adjacent Premier Inns			
- Beefeater	121	116	120
- Brewers Fayre	117	114	116
- Table Table	108	102	104
- Taybarns	7	7	7
	353	339	347

[1] International now excludes Ireland (155 rooms, 1 hotel), prior years have been reclassified; Ireland reported with UK.

Standard Information
Costa

EAT SLEEP & DRINK WHITBREAD

		HY 2011/12	HY 2010/11	FY 2010/11
Headline financials				
Sales	£m	250.8	198.5	425.0
EBITDA from Operations	£m	40.5	29.9	71.5
Underlying EBIT from Operations [3]	£m	27.8	19.6	50.5
Net Assets	£m	205.8	121.4	178.3
Cash Capital Expenditure	£m	28.3	17.1	33.0
Key Operating Measures				
Like for Like Sales Growth [2]	%	6.7%	8.5%	7.8%
Underlying Operating Margin	%	11.1%	9.9%	11.9%
ROIC [1] - **Total Business**	%	28.5%	35.6%	28.3%

[1] Return on capital (ROIC) is based on underlying EBIT from operations for the year to 1 September 2011, divided by the segmental assets, with no allocation for UK debt, taxation liabilities, pension and centrally held provisions as at the 1st September 2011. On 2nd March 2011 Costa purchased Coffee Nation which increased net assets by £59.5m. FY 10/11 ROIC would have been 42.5% (instead of 28.3%) excluding Coffee Nation. HY 11/12 ROIC would have been 40.5% (instead of 28.5%) excluding Coffee Nation.

[2] Like for like sales growth pre coffee club

[3] Definition of underlying profit now excludes acquired intangibles. FY 2010/11 adjusted together with the corresponding underlying operating margin and ROIC

Outlet details	HY 2011/12	HY 2010/11	FY 2010/11
- Equity	779	689	736
- UK Franchise	523	445	481
Total UK	1,302	1,134	1,217
- International Equity	94	92	86
- International JV [4]	130	91	114
- International Franchise	477	399	454
Total International	701	582	654
	2,003	1,716	1,871
Coffee Express/Nation number of machines	934	-	877

[4] International JV includes Shanghai which is a subsidiary with a 51% interest. International JV is reclassified to exclude Russian franchise stores and reallocate them to International franchise (HY 2010/11 5 franchises; FY 2010/11 7 franchises).