

Whitbread PLC

Interim results 2006/07





Anthony Habgood
Chairman



Christopher Rogers
Finance Director



Summary

H1 2006/07

	H1 2006/07	H1 2005/06	% change
PBT from continuing operations, pre exceptionals	£109.8m	£90.9m	20.8%
EPS from continuing operations, pre exceptionals	30.43p	22.09p	37.8%
Proforma growth in EPS from Continuing Whitbread			12.0%
Proposed interim dividend	8.10p	7.35p	10.2%

Summary - profit & loss

H1 2006/07

£m	H1 2006/07	H1 2005/06	% change
Revenue	787.3	803.3	(2.0)%
Profit from operations	142.1	137.9	3.0%
Central costs and other	(11.4)	(13.6)	16.2%
Interest	(20.9)	(33.4)	37.4%
PBT from continuing operations, pre exceptionals	109.8	90.9	20.8%

Summary - profit & loss continued

H1 2006/07

£m	H1 2006/07	H1 2005/06	% change
PBT from continuing operations, pre exceptionals	109.8	90.9	20.8%
Taxation	(36.1)	(30.9)	
Net profit from continuing operations	<u>73.7</u>	<u>60.0</u>	<u>22.8%</u>
Discontinued operations	0.7	27.5	
Exceptionals	<u>61.6</u>	<u>13.3</u>	
Profit for the year	<u>136.0</u>	<u>100.8</u>	<u>34.9%</u>

Treatment of businesses within segmental analysis

- Pub Restaurants
 - Trading results of the disposed estate, for 21 weeks through to July 28th, are treated as continuing operations
- Pizza Hut
 - Held for sale from period 1 this year
 - Profit excluded from the consolidated income statement
 - Prior half year profit of £2.7m and full year profit of £6.0m is reclassified within discontinued operations
- High street
 - Includes Costa and T.G.I. Friday's

Further segmental changes at year end

Joint sites: breakfast income and adjacency charge

- Historical position
 - Profit on breakfast sales in pub restaurant, next to Premier Travel Inn, accounted for in Premier Travel Inn
 - Share of profit from Premier Travel Inn guests eating in adjacent pub restaurant taken to Premier Travel Inn
- Going forward
 - Breakfast sales income to be included in Pub Restaurants
 - End of adjacency fee cross charge
 - For 2005/06 full year impact would have been £10.5m

Revenue by business segment

£m	H1 2006/07	H1 2005/06	% change
Premier Travel Inn	239.2	206.9	15.6%
David Lloyd Leisure	118.4	112.0	5.7%
Pub Restaurants: retained estate	214.1	212.1	0.9%
High Street Restaurants	126.3	112.1	12.7%
Less: inter-segment revenue	(1.5)	(1.5)	
Sales from Continuing Whitbread	696.5	641.6	8.6%
Pub Restaurants: disposal estate	82.5	103.5	(20.3)%
Other	8.3	58.2	(85.7)%
Total group sales	787.3	803.3	(2.0)%

Like-for-like sales

%	Like-for-like sales	
	H1 2006/07	H1 2005/06*
Premier Travel Inn	7.2	7.7
David Lloyd Leisure	2.2	0.0
Pub Restaurants	(1.2)	(1.2)
High Street Restaurants	1.2	(1.8)
Total	2.6	0.4

* As reported

Profit by business segment

£m	H1 2006/07	H1 2005/06	% change
Premier Travel Inn	84.3	71.8	17.4%
David Lloyd Leisure	21.1	21.1	0.0%
Pub Restaurants	30.0	39.3	(23.7)%
High Street Restaurants	6.7	5.7	17.5%
Profits from operations	142.1	137.9	3.0%

Summary - profit & loss continued

H1 2006/7

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Revenue	787.3	803.3	(2.0)%
Profit from operations	142.1	137.9	3.0%
Central costs and other	(11.4)	(13.6)	16.2%
Interest	(20.9)	(33.4)	37.4%
PBT from continuing operations, pre exceptionals	109.8	90.9	20.8%

Interest charge

£m	H1 2006/07	H1 2005/06
Interest on borrowings	(21.4)	(29.1)
Non cash interest:		
Pension interest (charge)/credit	(1.0)	(3.8)
Other	0.9	(0.7)
Total interest charge	(21.5)	(33.6)
Interest receivable	0.6	0.2
Net interest charge	(20.9)	(33.4)

Summary - profit & loss continued

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Taxation	<u>(36.1)</u>	<u>(30.9)</u>	<u></u>
Net profit from continuing operations	73.7	60.0	22.8%
Discontinued operations	0.7	27.5	
Exceptionals	<u>61.6</u>	<u>13.3</u>	<u></u>
Profit for the year	136.0	100.8	34.9%

Exceptional items

£m

H1 2006/07

Business disposals:

Pub Restaurants

188.1

Marriott

(23.9)

Net profit on business disposals

164.2

Other exceptional items:

Reorganisation costs

(10.3)

Other

(4.0)

Corporation Tax on exceptionals

(6.5)

Deferred Tax on exceptionals

(81.8)

Total exceptional costs

(102.6)

Total net exceptional profit

61.6

Cash flow

Group year-on-year by items

£m	H1 2006/07	H1 2005/06
Cash flow from operations	242	150
Cash capital expenditure	(125)	(135)
Disposal of fixed assets	455	17
Interest, tax and dividends paid	(72)	(107)
Interest and dividends received	1	46
Business cashflows	501	(29)
Pension payments	(56)	(55)
Disposal/(acquisition) of businesses	249	725
Special dividend, share buybacks	(392)	(402)
Other	7	(13)
(Increase)/decrease in net debt	309	226

Capital expenditure

£m	H1 2006/07	H1 2005/06
Premier Travel Inn	63	35
Pub Restaurants	27	31
High Street Restaurants	13	15
David Lloyd Leisure	13	22
Corporate/Discontinued	9	32
Total	125	135

Cost reduction update

- On target to deliver in 2006/07 the £25m of cost savings communicated last October
- Work is substantially complete to identify further savings following the Pub Restaurants disposal in July

Other financial items

- Pension deficit decreases from £338m, after the triennial valuation, to £288m benefiting from £50m cash injection in August
- Effective tax rate on profit from continuing operations of 32.9%
- Capital expenditure forecast for the year increased c.£280m
- £400m of disposal proceeds to be used to fund £350m return to shareholders and further £50m to pension fund

Financial summary

- Sales from Continuing Whitbread up 8.6%
- Like-for-like sales up by 2.6%
- PBT from continuing operations, pre exceptionals up 20.8% to £109.8m
- Proforma growth in EPS from Continuing Whitbread of 12.0%
- Interim dividend up 10.2% to 8.10p
- £350m returned to shareholders with a further £50m contributed to the pension fund



Alan Parker
Chief Executive



Progress in first half 2006/07

- Strong sales and profit performance
 - Premier Travel Inn and Costa
- Improving trends
 - David Lloyd Leisure
- Pub Restaurant strategic refocus
 - Joint site model
 - Operational improvement plans
- Rapid growth of leading brands
 - 1,312 new rooms opened at Premier Travel Inn
 - 85 new Costa outlets opened

Progress in first half 2006/07

- Tight cost control
 - Targeted further savings post Pub Restaurant disposal
- Announced disposal of non core assets
 - Pizza Hut 50% joint venture for £112m with net proceeds of £99m
 - Solus Pub Restaurant disposals for £497m
 - T.G.I. Friday's exploratory exit discussions
- Return to shareholders
 - £400m in July

Pub Restaurants

Half year results 2006

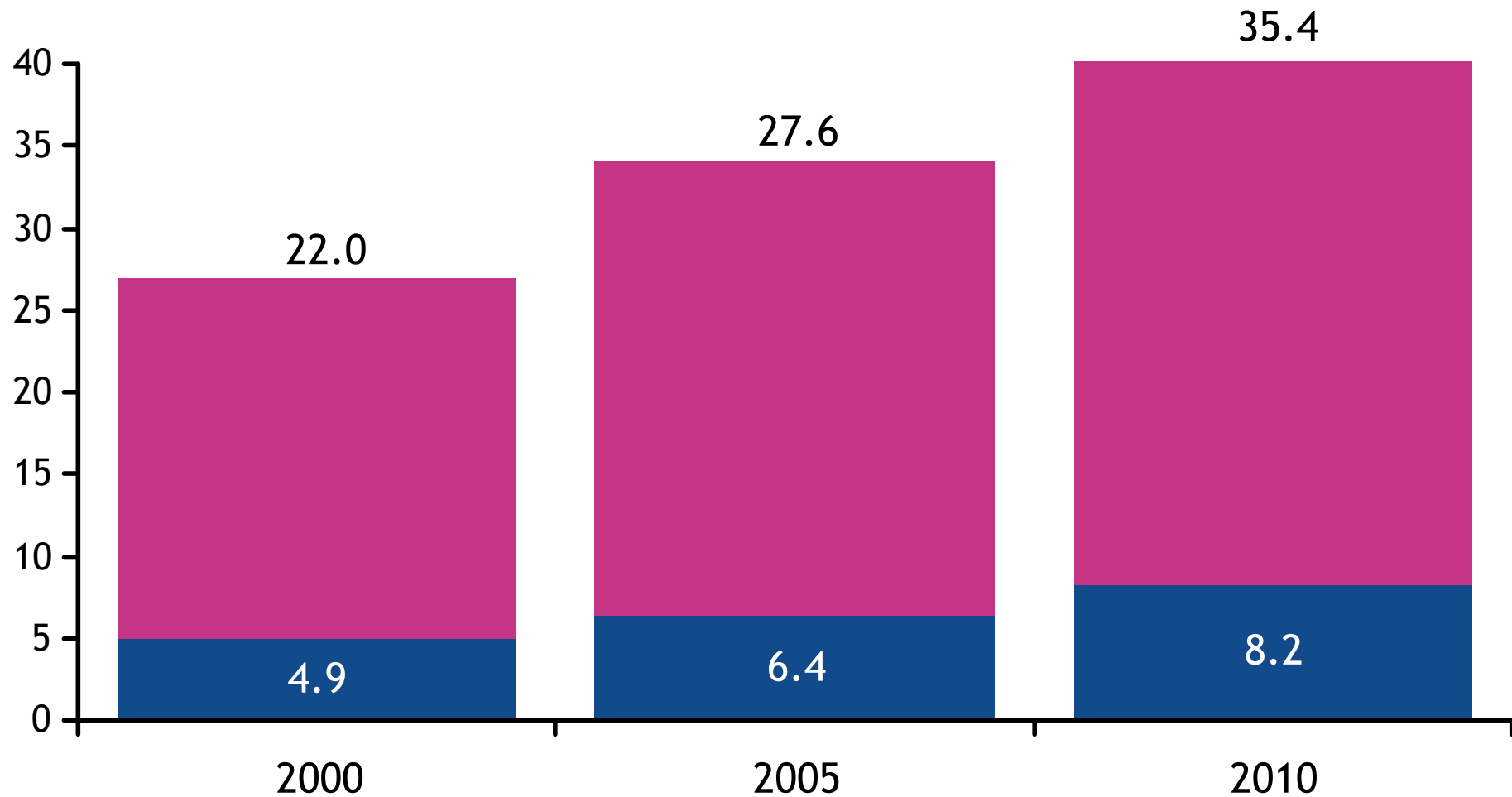
£m	2006/07	2005/06	% change
Revenue	296.6	315.6	(6.0%)
Profit	30.0	39.3	(23.7%)

- (1.2)% like-for-like sales
- 21 restaurants refurbished
 - 18 Beefeaters, 3 Brewers Fayre
- 1 new opening Eastbourne Brewers Fayre

The opportunity

Eating out market 2000/10

£bn



Source: Mintel April 2006

■ Pub catering ■ Total market

Brand audit

Beefeater

- Clearly the stronger concept with highest prompted brand awareness of any pub restaurant brand at 78% (NOP Omnibus Oct 2006)
- A relatively distinct position based on more formal eating out and a pub/grill heritage
- More focused on couples dining out (fewer families)
- Successful in penetration of local market
- **But** fails to build regular repeat trade as people tend to visit for special occasions

Brand audit

Brewers Fayre

- Undifferentiated with consumers and does not have clearly different attributes
- Serves wide variety of customers and occasions
- Highly family-focused at weekends
- But fails to attract **enough** customers from local market because of lack of differentiation

New strategy

Focus on three key objectives

1. Creating Winning Restaurant proposition
 - Famous for food
 - Exciting environments
2. Driving synergy with the adjacent Premier Travel Inn
3. Maximising Premier Travel Inn growth potential

1. Creating Winning Restaurants

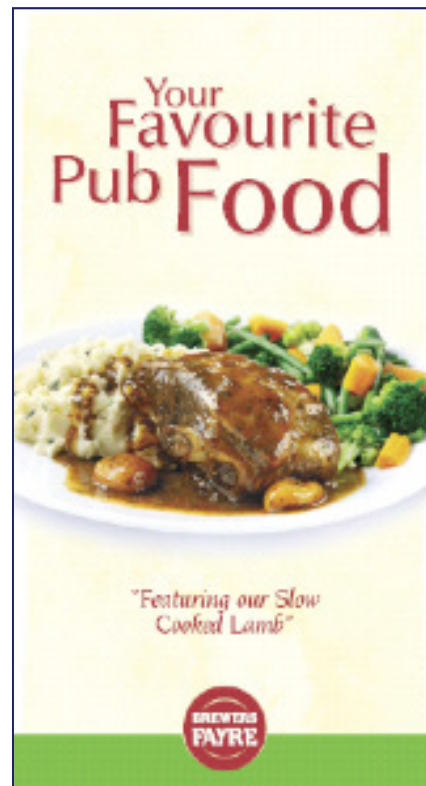
- New Generation Beefeater
 - New food platform focussed on great grilled food
 - Lighter and fresher environments
 - Revised bar layout with greater emphasis on bar snacks
- New Contemporary Dining Concept
 - Borne out of Brewers Fayre estate
 - More stylish, aspirational environments
 - Step change in food platform but close to Brewers Fayre pricing

Famous for food

Creating Winning Restaurants

- Fewer items / broader choice / more lighter, healthier dishes
- Stretched price points
 - Margin adjustments
- New menu designs

From



To



Broader menu range and price points

Creating Winning Restaurants

Main meals

	Current £	Previous £
Beefeater		
Minimum price	5.95	7.50
Maximum price	19.99	12.99
Brewers Fayre		
Minimum price	4.75	5.99
Maximum price	13.99	10.99

Exciting environments

Creating Winning Restaurants

Beefeater

- New core proposition accelerated
 - Complete remaining 57 sites by Easter 2007

Brewers Fayre

- New Contemporary Dining trials
 - 32 further sites in 2006/07
 - Reviewing remaining 223 sites over next 2 years

Average spend per site £400k

Beefeater

Creating Winning Restaurants



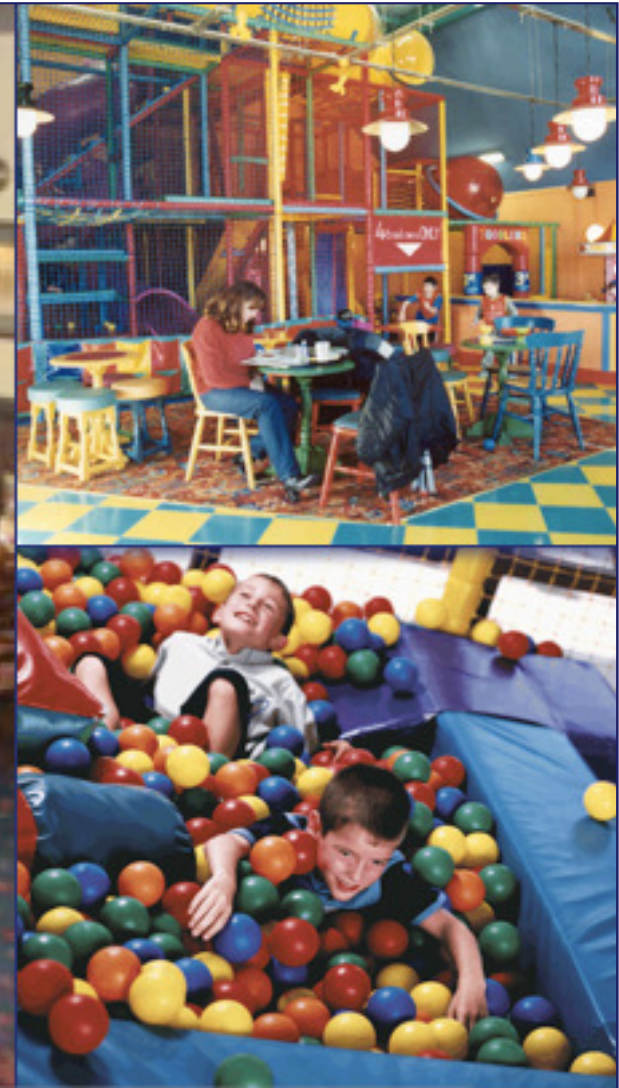
Beefeater

Creating Winning Restaurants



Brewers Fayre

Creating Winning Restaurants



Brewers Fayre

Creating Winning Restaurants



Brewers Fayre

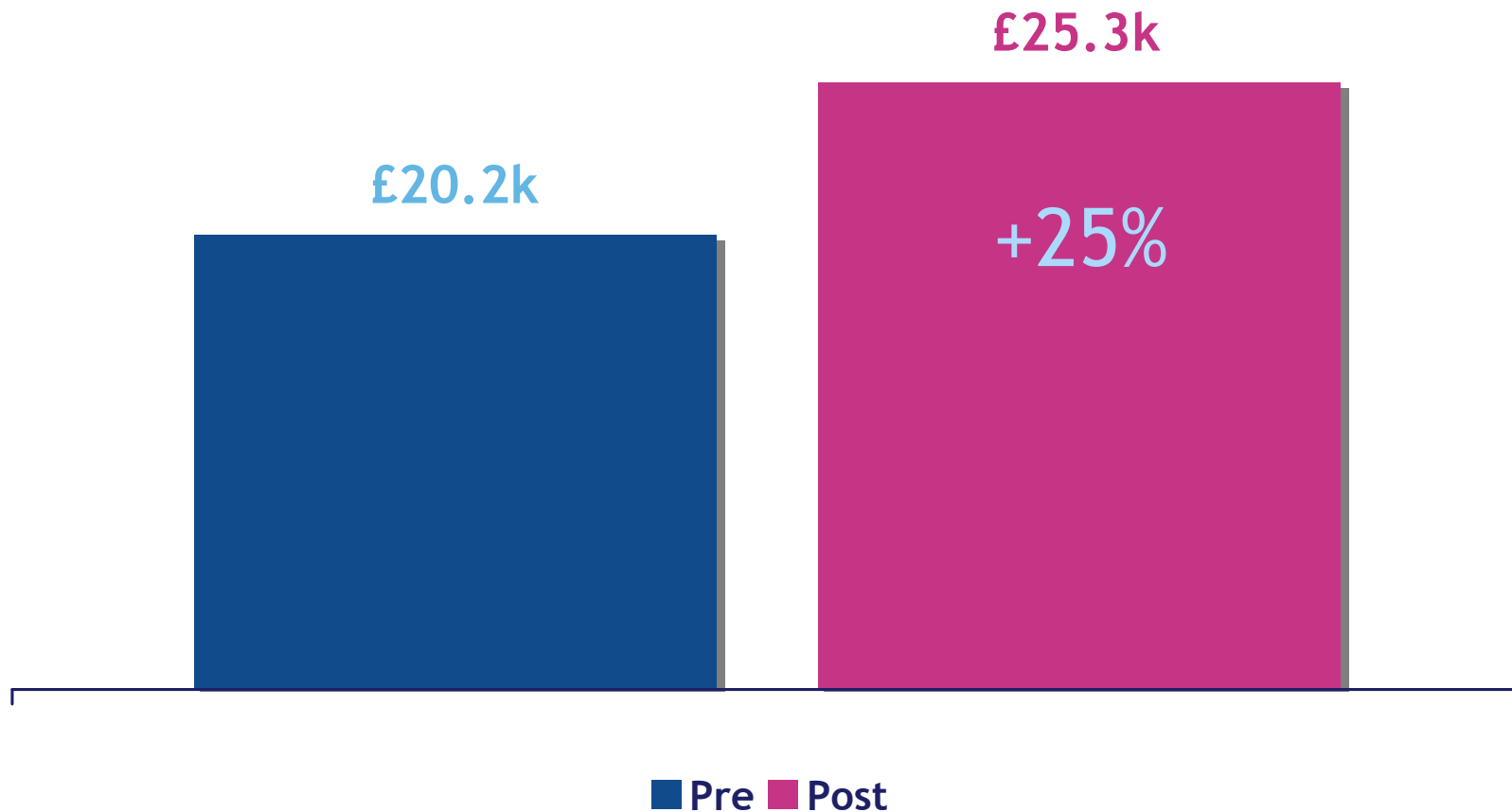
Creating Winning Restaurants



Positive results - average weekly sales

Creating Winning Restaurants

Results pre and post refurbishment year to September



Positive results - average weekly meals sold

Creating Winning Restaurants

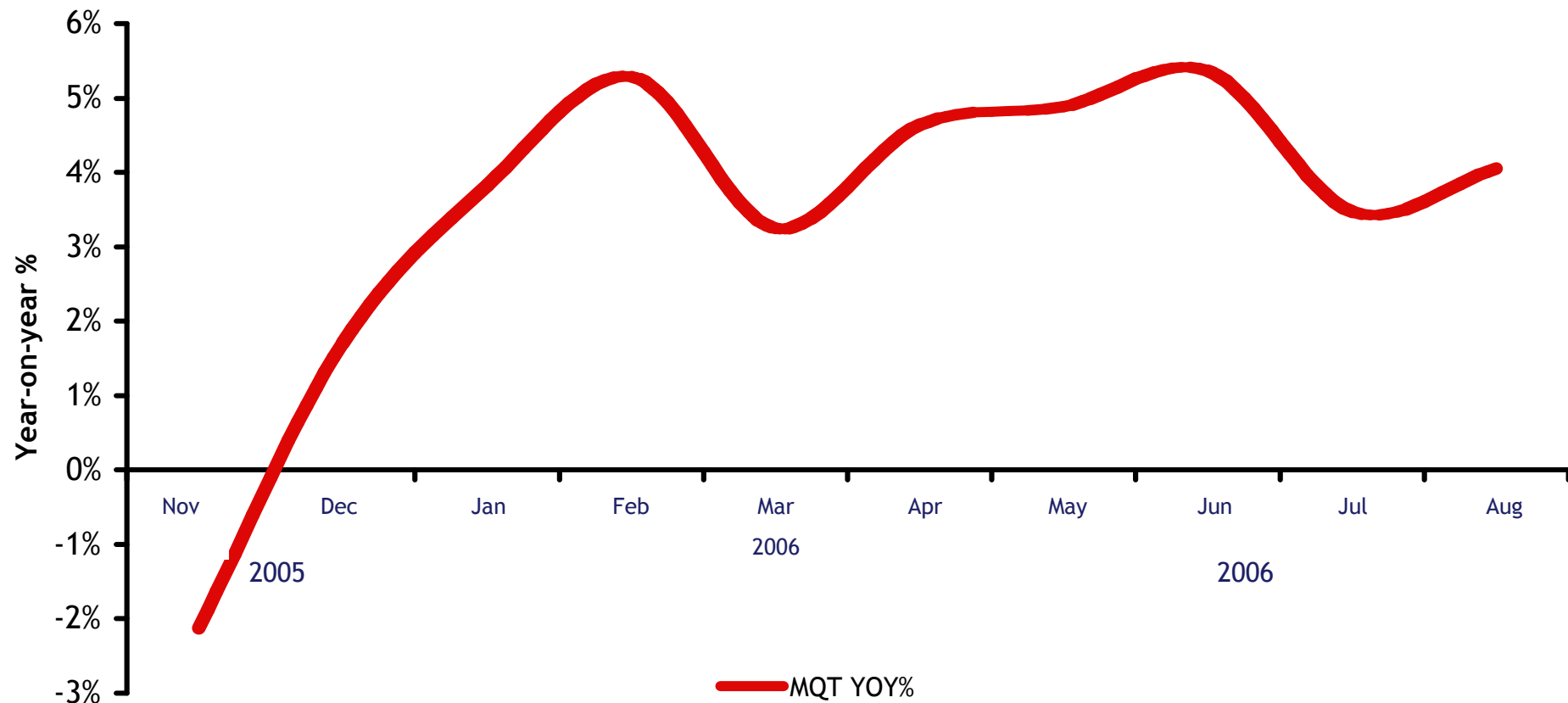
Results pre and post refurbishment year to September



Encouraging results - Beefeater

Creating Winning Restaurants

Like-for-like covers growth year-on-year percentage*



* Excluding closure weeks

2. Driving synergy with Premier Travel Inn

- Joint model drives superior Pub Restaurants performance

	Sales (£k)	House profits* (£k)
Joint site restaurants† (2005/06)	1,121	249
VS		
Stand-alone (2005/06)	+31%	+54%

- Incremental food and beverage sales
- Shared labour, operational costs
- Capital and overhead efficiencies

* Pre overhead † After restatement of Pub Restaurants segmental reporting with Premier Travel Inn

3. Maximising Premier Travel Inn potential

- New rooms adjacent to Pub Restaurants
- 3,000 rooms over next three years
- Average build cost per room £34k
- An average ROCE of 18% on capital spend

Driving operational performance

- Whitbread has excellent sites with outstanding potential
- Pub Restaurants add value to Premier Travel Inn today with more synergy in future
- We have a new strategy with new management which has started to deliver
- The Beefeater brand is sustainable, the Brewers Fayre brand is not adding value
- Objective to achieve the best in class pub restaurant performance

Premier Travel Inn

Half Year Results 2006/7

£m	2006/07	2005/06	% change
Revenue	239.2	206.9	15.6%
Profit	84.3	71.8	17.4%

- Like-for-like sales growth of Premier Travel Inn 7.2%
- Occupancy 80.0%
- Overall RevPar £38.42 (up 3.6%)
- Overall ARR £48.03 (up 5.2%)
- 1,312 rooms added from 11 new hotels
- First Gulf site secured at Dubai Investment Park

Premier Travel Inn

Continued growth

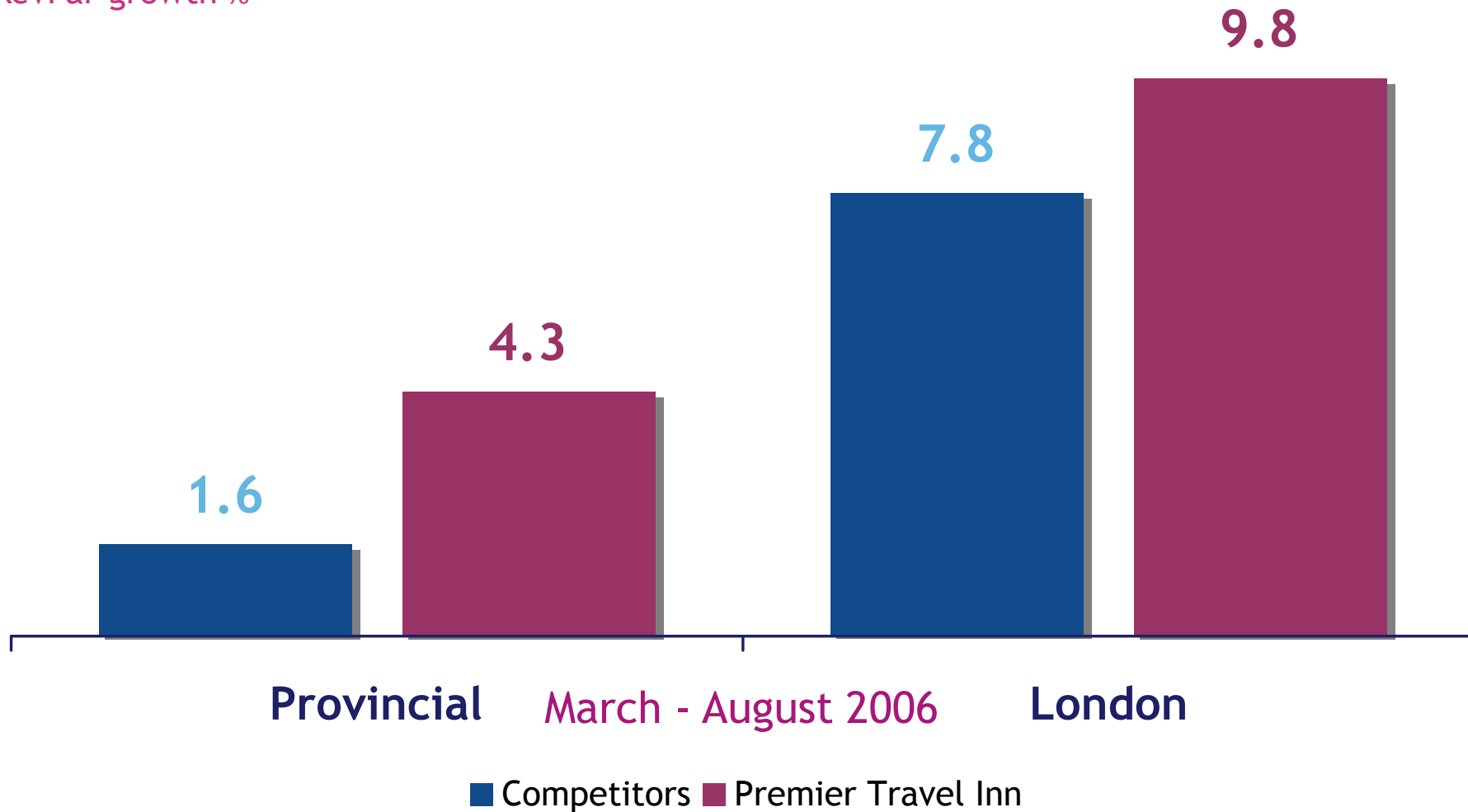
Like-for-like
sales growth %



Premier Travel Inn

Out-performance against competitive set

RevPar growth %



Source: Hotstats by TRI Hospitality Consulting

Premier Travel Inn

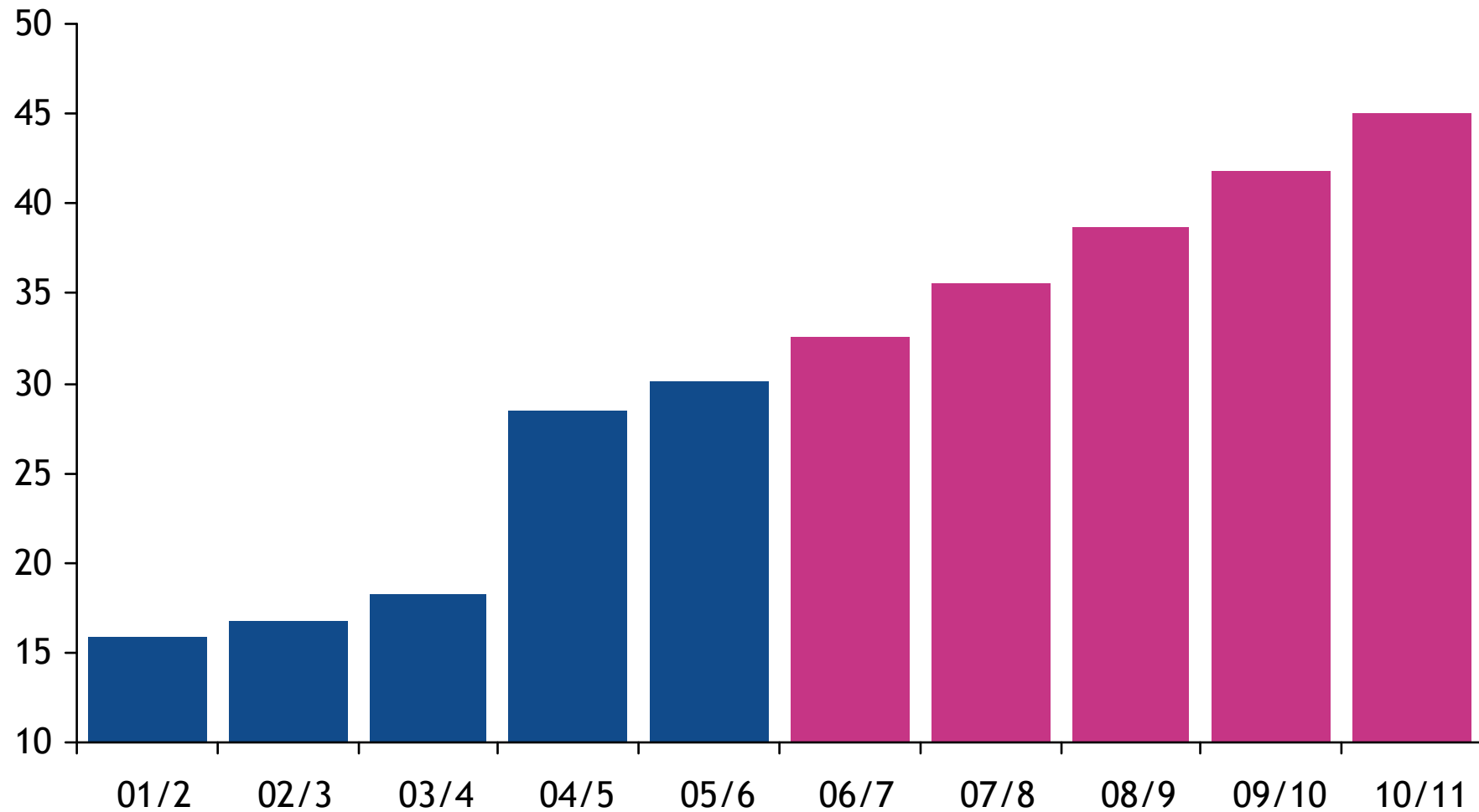
Customer focus

- Corporate Travel
 - Business Account Card upgraded - projected £100m sales for year 2006/07
- Web bookings growth to 45%
- New Guest Feedback system
 - Over 30,000 individual guest responses per month
 - Intention to recommend - 8 out of 10 of our customers would recommend Premier Travel Inn

Premier Travel Inn

Sustained room growth

Rooms '000s



Source: Whitbread

David Lloyd Leisure

Half year results 2006/7

£m	2006/07	2005/06	% change
Revenue	118.4	112.0	5.7%
Profit	21.1	21.1	0%

- Like-for-like sales at 2.2%
- Retention improved 1.7% pts to 73%
- Like-for-like membership at UK clubs closed at 311,000
- Total membership now at a record of 375,000 members
- Openings in past year all ahead of expectations - Aberdeen, Kings Hill and Southend
- Rising costs - rates, utilities

David Lloyd Leisure

Members

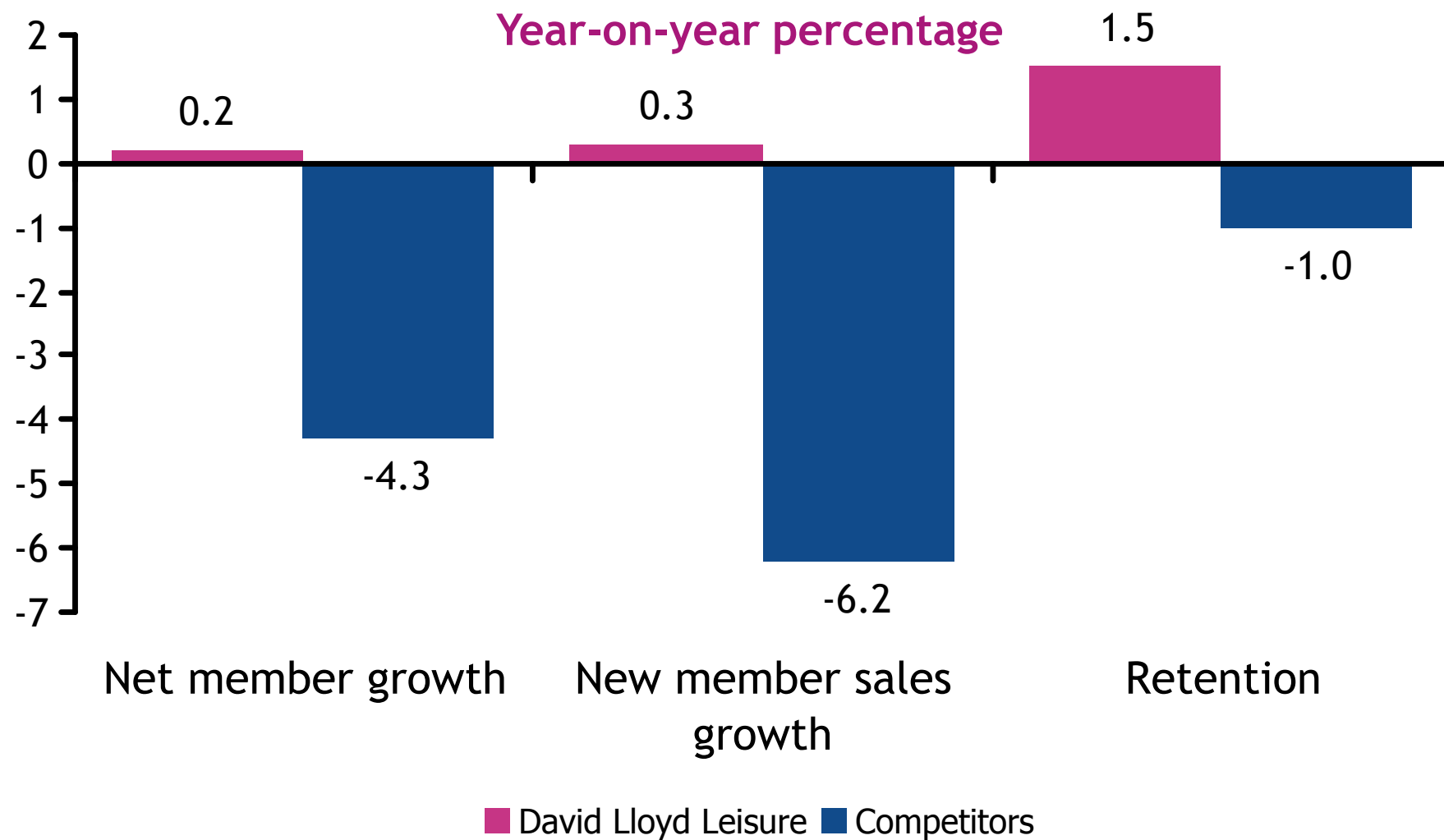
Current like-for-like UK clubs membership



Source: Whitbread

David Lloyd Leisure

Performance vs the competitors - first half 2006/07



Source: HealthClubBenchmark Survey by Deloitte & Touche Adult members only. Like-for-like clubs

Building firmer foundations

David Lloyd Leisure

- Improving management at club level
 - Department heads restructure
 - Management Calibre Review
- Higher retention through greater customer focus
 - New members induction
 - Brand standards and mystery member audit
 - Launch of Junior Tennis All Star programme with Andy Murray
 - New menus & Costa coffee throughout estate
- Focus on productivity
 - Labour
 - Utilities

Costa

Half year results 2006/07

£m	2006/07	2005/06	% change
Revenue	81.0	66.7	21.4%
Profit	5.7	4.3	32.6%

- Like-for-like sales in UK Retail business grown by 6.0%
- UK's most profitable coffee shop chain - profits up by 32.6%
- Volume growth (footfall) up by 2.7%
- 85 new stores opened year-to-date
 - 57 UK, 28 international
 - 33 equity and 52 franchise

Costa

Fast-paced growth

- 500th UK store in November at Oxford
- Expansion into Eastern Europe
 - Poland
 - Romania
 - Bulgaria
- c.200 new stores in 2006/07 - 100 in UK and 100 internationally

Costa

Stored value card

- Trialled in Glasgow and Birmingham (22 stores)
- Roll out in November 2006 across 400 sites
- Store between £5 and £75 on card
- Top up in store or on-line at www.costa.co.uk
- Increases spend per head - c.£1 extra per visit
- Builds loyalty



Reshaped and refocused

- Focus on four Strategic Business Units
 - Premier Travel Inn
 - Pub Restaurants
 - David Lloyd Leisure
 - Costa
- Robust operational plans to continuously improve performance
- Ambitious growth plans for leading brands
- Shareholder returns
 - Further £350m return
 - Over £1.16bn since May 2005

Whitbread PLC

Interim results 2006/07

