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Whitbread PLC
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Proposed sale of Costa for £3.9 billion to The Coca-Cola Company

Whitbread PLC ("Whitbread" or the "Group") is pleased to announce that it has entered into an agreement for the sale of Costa Limited ("Costa"), one of the world's leading coffee brands, to The Coca-Cola Company ("Coca-Cola"), for an enterprise value of £3.9 billion (the "Transaction").

Transaction highlights

- Sale of Costa for an enterprise value of £3.9 billion, representing a multiple of 16.4x Costa FY18 EBITDA
- Recognises strategic value of Costa's brand strength, multi-channel presence and international growth potential
- Substantial premium to the value that would have been created through the previously announced demerger given the Coca-Cola system's global product, distribution and vending platform
- Transaction unanimously agreed by Whitbread Board to be in the best interests of shareholders
- Net cash proceeds expected to be approximately £3.8 billion at completion, after adjusting for estimated transaction costs and separation costs
- A significant majority of net cash proceeds intended to be returned to shareholders
- Whitbread will also reduce financial indebtedness and make a contribution to the pension fund, which will both provide headroom for further expansion of Premier Inn in the UK and Germany
- The Transaction is conditional upon agreement by Whitbread's shareholders and various other approvals, including anti-trust approvals, and is expected to complete in the first half of 2019
- Whitbread to focus on the attractive structural growth opportunities for its leading hotel business, Premier Inn, in the UK and Germany

Alison Brittain, Whitbread Chief Executive, commented:

"I am delighted that we have agreed the sale of Costa to Coca-Cola for £3.9 billion. This transaction is great news for shareholders as it recognises the strategic value we have developed in the Costa brand and its international growth potential and accelerates the realisation of value for shareholders in cash. The announcement today represents a substantial premium to the value that would have been created through the demerger of the business and we expect to return a significant majority of net proceeds to shareholders. Whitbread will also reduce debt and make a contribution to its pension fund, which will provide additional headroom for the expansion of Premier Inn.

The sale of Costa to Coca-Cola is another successful landmark in the 276-year history of Whitbread. Whitbread acquired Costa in 1995, for £19 million when it had only 39 shops and successfully grew the business to be the UK's favourite and largest coffee shop company. In more recent years, we have been focused on building Costa into a leading multi-channel, international coffee brand. This has resulted in this unique strategic opportunity to combine the Costa brand with Coca-Cola's global scale, product and distribution capabilities. This combination will ensure new product development, continued growth in the UK and more rapid expansion overseas. As a result of this strategic sale our teams, pensioners, suppliers, shareholders and other stakeholders will all have the opportunity to share in the benefits.

Premier Inn, the UK's leading hotel business, will continue to develop its highly successful and unique business model, with even greater focus and financial investment. Premier Inn will continue to take advantage of the considerable structural growth opportunities in the UK and accelerate its network expansion in Germany. This will deliver strong return on capital and significant value to shareholders over the long term."

James Quincey, Coca-Cola President & CEO, commented:
"Costa gives Coca-Cola new capabilities and expertise in coffee, and our system can create opportunities to grow the Costa brand worldwide. Hot beverages is one of the few remaining segments of the total beverage landscape where Coca-Cola does not have a global brand. Costa gives us access to this market through a strong coffee platform. I'd like to welcome the team to Coca-Cola and look forward to working with them."

Investor & analyst briefing

The management of Whitbread will be hosting a briefing today commencing at 9.00am (BST) to discuss today's announcement. The webcast can be accessed directly at https://www.investis-live.com/whitbread/5b8512be7fa26e100032bfc2/omwp. A conference call facility is also available (Dial-in: +44 20 3936 2999 | PIN: 984274). The webcast can also be accessed via the Investor Relations section of Whitbread's website (www.whitbread.co.uk/investors), with an on-demand replay available later today.

This announcement contains inside information.

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For photographs and video please visit Whitbread's media library at www.whitbread.co.uk/media.

Goldman Sachs International ("Goldman Sachs") and Morgan Stanley & Co. International plc ("Morgan Stanley") are acting as joint financial advisers and joint sponsors to Whitbread. Deutsche Bank AG, acting through its London branch ("Deutsche Bank") is acting as financial adviser to Whitbread. Morgan Stanley and Deutsche Bank are acting as corporate brokers to Whitbread. Slaughter and May is acting as legal adviser to Whitbread.

Introduction

Whitbread is pleased to announce that it has entered into an agreement for the sale of Costa, the UK's favourite coffee shop and strongest coffee brand with operations in over 30 countries, to Coca-Cola, for an enterprise value of £3.9 billion.

A circular containing further details of the Transaction, together with a notice to convene a general meeting in October 2018, will be sent to shareholders as soon as is practicable.

Background to and reasons for the Transaction

On 25 April 2018, Whitbread announced its intention to pursue the demerger of Costa in order to provide shareholders with investments in two distinct, focused and market-leading businesses. Whitbread committed to pursue the demerger as fast as appropriate and practical to optimise value for shareholders.

Following the announcement to demerge Costa, the Whitbread Board continued to evaluate all options in order to maximise value for shareholders. Subsequently, Coca-Cola approached Whitbread with a highly compelling offer to acquire Costa. The Whitbread Board unanimously agreed that the Transaction is in the best interests of shareholders and other stakeholders as a whole for the following reasons:

- the Transaction recognises the strategic value of Costa's brand strength, multi-channel presence and international growth potential;
- the Transaction represents an enterprise valuation multiple of 16.4x Costa's FY18 EBITDA;
- the valuation is significantly higher than is currently reflected for Costa in Whitbread's market value;
- the Transaction provides a substantial premium to the value that would be created by Costa as a separately listed entity through the previously announced demerger plan, given Coca-Cola's leading global product development, distribution, marketing and vending platform;
- the Transaction accelerates the realisation of value in cash; and
- the Transaction will enable enhanced focus and investment in Whitbread's attractive growth opportunities available for Premier Inn in the UK and Germany.

Principal terms of the Transaction

At completion, Whitbread is expected to receive approximately £3.8 billion of cash proceeds from the Transaction, after adjustment for estimated transaction costs and separation costs (the "Net Cash Proceeds").

The Transaction is a Class 1 transaction for Whitbread under the Listing Rules and is therefore conditional upon the approval of shareholders and two anti-trust regulatory approvals, in the EU and China. Before completion, Whitbread also expects to reach agreement with other stakeholders, such as the pensions trustees, in relation to the extent of contributions to the pension deficit. Completion of the Transaction is expected during the first half of 2019.

As is usual in transactions of this nature, the transaction agreement contains obligations on both sides to obtain the required approvals, as well as customary warranties, indemnities, break fees and cost reimbursements.

Whitbread and Coca-Cola have also entered into a transitional services agreement, under which Whitbread has agreed to provide various services including IT, procurement and HR services to Coca-Cola for 12-24 months.

As part of the Transaction, Dominic Paul will remain as Costa Managing Director and will no longer be a member of the Whitbread Executive Committee.

Use of proceeds

The Whitbread Board intends to return a significant majority of the Net Cash Proceeds to shareholders, unless more value creating opportunities arise and subject to prevailing market conditions. Net Cash Proceeds will also be used to reduce the Group's borrowings and the Group's pension fund deficit. A reduction in the Group's indebtedness will provide headroom for further expansion of Premier Inn in the UK and Germany. Discussions with pension trustees and other relevant stakeholders will be conducted and an update on the amount and method to return proceeds will be provided in due course.

Tax, other transaction costs and separation costs are estimated to be approximately £100 million. A further update on separation activity and costs will be provided in due course.

Financial effects of the Transaction

As a result of the Transaction, the Group will change the way it accounts for Costa, including in the Group's interim results for the half year to 31 August 2018, which will be published on 23 October 2018. Until completion occurs, Costa will be accounted for as an asset held for sale and presented in the Group's accounts as a discontinued operation.

During the current and following financial years, Whitbread will incur restructuring costs relating to the separation of Costa as well as incremental costs as a result of separation, and redevelopment, of previously shared services. Whitbread will also benefit from cost efficiencies as it transitions over time to a simpler overall structure. Further guidance on separation activity and costs will be provided in due course.

Information on Costa

Costa is a leading international coffee brand and the UK's favourite coffee shop, with over 2,400 coffee shops in the UK and over 1,400 stores in more than 30 international markets. Costa also operates the fast-growing self-serve business, Costa Express, with over 8,000 Costa Express self-serve machines in eight countries. Costa also operates an in-home distribution and wholesale coffee business with high potential.

Whitbread acquired Costa in 1995 when it owned 39 stores and has grown the business into the successful business it is today. As at 1

March 2018, the gross assets of Costa were £547 million. Further financial information will be set out in the circular.

Summary financial information of Costa Limited

	53 weeks to 3 March 2016	52 weeks to 2 March 2017	52 weeks to 1 March 2018
Revenue	£1,103m	£1,202m	£1,292m
Underlying EBITDA	£215m	£231m	£238m
Operating profit	£137m	£130m	£123m

Information on The Coca-Cola Company

The Coca-Cola Company (NYSE: KO) is a total beverage company, offering over 500 brands in more than 200 countries and territories. In the year ended December 2017, Coca-Cola generated revenue of $35.4 billion and operating income of $9.7 billion. Coca-Cola is listed on the New York Stock Exchange, with a market capitalisation of approximately $195 billion.

In addition to the company's Coca-Cola brands, the portfolio includes some of the world's most valuable beverage brands, such as AdeS soy-based beverages, Ayataka green tea, Dasani waters, Del Valle juices and nectars, Fanta, Georgia coffee, Gold Peak teas and coffees, Honest Tea, innocent smoothies and juices, Minute Maid juices, Powerade sports drinks, Simply juices, smartwater, Sprite, vitaminwater and ZICO coconut water. Together with its bottling partners, Coca-Cola employs more than 700,000 people, helping bring economic opportunity to local communities worldwide.

Information on Whitbread

Following completion of the Transaction, Whitbread will be a focused hotel business with over 75,000 rooms in almost 800 hotels in the UK, Germany and the Middle East, operating under the Premier Inn brand. Whitbread will also retain its 49% investment in Pure, a London-based healthy-eating quick service restaurant business with 15 stores.

Whitbread's strategic priorities will remain consistent with its existing strategy of:

- continuing to innovate and grow Premier Inn in the core UK business;
- focusing on Premier Inn's strengths to grow at scale in Germany; and
- enhancing the capabilities of Whitbread to support long-term growth.

In the UK, Premier Inn has a unique business model and position in the hotel market, supported by a significant food and beverage offering. Through a significant degree of freehold property ownership and an owner-manager approach, Premier Inn ensures a high degree of consistency throughout its hotel estate with high quality and good value for money. This ensures hotel guests have a strong preference for Premier Inn, which provides an industry leading proportion of direct bookings that has recently increased to over 95% for the year ending 1 March 2018.

Premier Inn's unique business model provides a strong opportunity to grow market share versus the structurally disadvantaged independent segment. The independent segment currently holds more than 50% market share, but this has been declining by approximately one percentage point per annum. Through building new hotels, extending existing hotels, and further enhancing the operating model, Premier Inn expects to continue to win market share, increasing its position from approximately 9% in 2016 to over 12% beyond 2020. Premier Inn has a strong track record of maintaining occupancy at approximately 80%, at the same time as increasing room capacity by 25% over the last three years.

In Germany, Premier Inn has a highly attractive opportunity:

- the hotel market is 35% larger than the UK;
- the budget branded sector is less mature with 6% market share (versus 24% in the UK);
- the market is highly fragmented with independents accounting for approximately 75% of the hotel market;
- there is currently no clear market leader, with the largest hotel operator having just 2% market share; and
- given the regional dispersal of industrial development, there is a high degree of business travel.

Premier Inn's unique business model of high quality, consistency and value for money resonates well with domestic German travellers, having been successfully trialled in Premier Inn's first hotel in Germany, which was opened in Frankfurt in 2016.

Premier Inn's attractive opportunities to continue growing in the UK and the increased focus on network expansion in Germany, provide Whitbread with confidence that the committed pipeline for new capacity at 1 March 2018 of more than 20,000 rooms will be opened successfully and deliver a compelling return on capital.

Whitbread expects to update shareholders on its strategic progress and future plans at a capital markets day to be held in early in 2019.

Information relating to non-IFRS measures

Whitbread uses a range of measures to monitor the financial performance of Whitbread, including in this announcement. These measures include both statutory measures in accordance with International Financial Reporting Standards ("IFRS") and alternative performance measures ("APMs") which are consistent with the way that business performance is measured internally.

Whitbread uses underlying measures because it believes they provide both management and investors with useful additional information about the financial performance of Whitbread's businesses.

Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that Whitbread considers relevant for comparison of the financial performance of Whitbread's businesses either from one period to another or with other similar businesses. APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

Information regarding forward-looking statements

This announcement includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms anticipates, believes, could, estimates, expects, intends, may, plans, projects, should or will, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding Whitbread and its intentions, beliefs or current expectations concerning, among other things the business, results of operations, prospects, growth and strategies of the Group and Costa.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of operations of the Group and Costa, and the developments in the industries in which they operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations of the Group and Costa and the

developments in the industries in which they operate are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in law and regulation, currency fluctuations, changes in business strategy and political and economic uncertainty.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this announcement reflect Whitbread's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Whitbread and its operations, results of operations and growth strategy.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules and the Disclosure Guidance and Transparency Rules), Whitbread is not under any obligation and Whitbread expressly disclaims any intention or obligation (to the maximum extent permitted by law) to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the Group and Costa, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for the Group and Costa, as appropriate.

Cautionary statement

This announcement is not intended to, and does not constitute, or form part of, any offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. Whitbread shareholders are advised to read carefully the formal documentation in relation to the Transaction once it has been despatched. Any response to the Transaction should be made only on the basis of the information in the formal documentation to follow.

Important information relating to financial advisers

Goldman Sachs International ("Goldman Sachs"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively as sponsor and financial adviser to Whitbread and for no one else in connection with the Transaction and will not be responsible to anyone other than Whitbread for providing the protections afforded to clients of Goldman Sachs or for providing advice in relation to the Transaction, the contents of this announcement or any transaction, arrangement or other matter referred to in this announcement.

Morgan Stanley & Co. International plc ("Morgan Stanley"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively as sponsor, financial adviser and corporate broker to Whitbread and for no one else in connection with the Transaction and will not be responsible to anyone other than Whitbread for providing the protections afforded to clients of Morgan Stanley or for providing advice in relation to the Transaction, the contents of this announcement or any transaction, arrangement or other matter referred to in this announcement.

Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank) and the Prudential Regulation Authority in the United Kingdom. It is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority, and is subject to limited regulation in the United Kingdom by the Prudential Regulation Authority and Financial Conduct Authority. Deutsche Bank AG, acting through its London branch ("DB London") is acting as financial adviser and corporate broker to Whitbread and for no one else in connection with the Transaction and will not be responsible to anyone other than Whitbread for providing the protections afforded to clients of DB London nor for providing advice in relation to the Transaction, the contents of this announcement or any transaction, arrangement or other matter referred to in this announcement.

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