

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred your entire holding of ordinary shares in Whitbread, please send this document as soon as possible to the purchaser or transferee of those shares or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin—Federal Financial Supervising Authority) and with respect to UK commodity derivatives business by the Financial Services Authority; regulated by the Financial Services Authority for the conduct of UK business. Deutsche Bank AG is acting for Whitbread and no-one else in connection with the Disposal and will not be responsible to anyone other than Whitbread for providing the protections afforded to clients of Deutsche Bank nor for providing advice in connection with the Disposal.

WHITBREAD PLC

(registered in England and Wales under number 04120344)

Proposed disposal of 50 per cent. holding in Pizza Hut (U.K.) Limited and notice of Extraordinary General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Whitbread which is set out on pages 4 to 6 of this document and which recommends that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below.

A notice of the Extraordinary General Meeting, to be held at the offices of Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB at 2.00 p.m. on 4 September 2006, is set out on page 11 of this document. A Form of Proxy for use at the Extraordinary General Meeting is enclosed with this document. To be valid, a Form of Proxy must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ by no later than 2.00 p.m. on 2 September 2006. If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Computershare (CREST participant ID 3RA50) so that it is received by no later than 2.00 p.m. on 2 September 2006. The return of a completed Form of Proxy or CREST Proxy Instruction will not prevent you from attending the Extraordinary General Meeting and voting in person if you wish to do so.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<u>2006</u>
Latest time and date for completed receipt of Form of Proxy	2.00 p.m. on 2 September
Extraordinary General Meeting	2.00 p.m. on 4 September
Completion	12 September

DEFINITIONS

In this document, the following expressions shall have the following meanings, unless the context otherwise require:

“AGM”	means the annual general meeting of the Company held on 20 June 2006;
“Board”	means the board of Directors of Whitbread;
“Companies Act”	means the Companies Act 1985;
“Company” or “Whitbread”	means Whitbread PLC;
“Completion”	means completion of the Disposal pursuant to the Share Purchase Agreements;
“Directors”	means the directors of the Company;
“Disposal”	means the proposed disposal of the shares owned by the Company in Pizza Hut UK to Yum!;
“EGM” or “Extraordinary General Meeting”	means the extraordinary general meeting of the Company convened in connection with the Disposal at 2.00 p.m. on 4 September 2006;
“Deutsche Bank”	means Deutsche Bank AG, acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB;
“Form of Proxy”	means the form of proxy accompanying this document for use in connection with the Extraordinary General Meeting;
“Group”	means Whitbread and its subsidiaries;
“Listing Rules”	means the listing rules of the UK Listing Authority made pursuant to Part VI of the Financial Services and Markets Act 2000;
“Pizza Hut UK”	means Pizza Hut (U.K.) Limited;
“Resolution”	means the ordinary resolution approving the Disposal to be proposed at the EGM;
“Shareholders”	means holders of ordinary shares of 68 ³² / ₅₁ pence each in the capital of the Company;
“Share Purchase Agreements”	means the conditional agreement dated 31 July 2006 between (amongst others) Whitbread Group and Yum! and the agreed form tax covenant to be entered into at Completion between Whitbread Group and Yum!;
“Whitbread Group”	means Whitbread Group PLC, a wholly-owned subsidiary of Whitbread; and
“Yum!”	means Yum! Restaurant Holdings.

PART I
LETTER FROM THE CHAIRMAN
Whitbread PLC

Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
LU5 5XE
www.whitbread.co.uk

16 August 2006

Dear Shareholder,

Proposed disposal of 50 per cent. holding in Pizza Hut UK

1. Introduction

On 31 July 2006, Whitbread announced a conditional agreement to dispose of its 50% share in Pizza Hut UK to Yum!. The value agreed for the 50% interest is £112 million. After adjustments for debt and other liabilities, Whitbread will receive a net sum of £99 million, payable in cash at Completion.

Pizza Hut UK is a 50/50 joint venture between Whitbread Group and Yum!. For the purposes of the Listing Rules, Yum! is considered to be a related party of Whitbread. On this basis the Disposal is a related party transaction under the Listing Rules and is therefore subject, amongst other things, to approval by Shareholders at the EGM.

This document provides Shareholders with details of the Disposal and explains why the Board considers the Disposal to be in the best interests of the Company and its Shareholders as a whole.

2. Background to and reasons for the Disposal

The Board believes that the Disposal is consistent with Whitbread's strategic objectives of focusing its management and capital on those businesses in which it believes it has leading positions and strong growth prospects in order to maximise shareholder value.

Since October 2004, Whitbread has pursued a number of steps aimed at improving shareholder returns, including a detailed review of its businesses and an asset disposal programme. These disposals have included the exit from the operation and ownership of its franchised Marriott hotel business and the sales of Whitbread's Chiswell Street Brewery site, its stake in Britvic and 239 of its freestanding pub restaurant sites. The total proceeds received to date amount to approximately £1.8 billion of which just under £810 million has been returned to shareholders.

In its announcement of preliminary results on 25 April 2006, Whitbread stated that it would be reviewing the nature and size of its investment in Pizza Hut UK as part of its objective to focus on core businesses. Following a detailed review and discussions with Yum!, it was concluded that a disposal of Whitbread's 50% share in Pizza Hut UK to Yum! represented the most beneficial strategic option for both parties.

Whitbread will initially use the proceeds from the Disposal to pay down bank debt while it reviews its options for creating shareholder value. Maintaining an efficient balance sheet structure going forwards remains a priority for the Company.

3. Information on Pizza Hut UK

Pizza Hut UK is the UK's biggest pizza restaurant business with more than 650 outlets. It was established as a joint venture between Whitbread and PepsiCo in 1982. PepsiCo's 50% shareholding in Pizza Hut UK was transferred to Yum! as part of the demerger of PepsiCo's KFC, Pizza Hut UK and Taco Bell interests in 2002.

As at 2 March 2006, Whitbread's carrying value of its investment in Pizza Hut UK was £29.8 million and in the twelve months to 16 July 2006 profit before tax as shown in the management accounts was £15.3m of which Whitbread's share is 50%. In the financial year ended 4 December 2005, Pizza Hut UK reported profit before tax of approximately £27 million and as at that date its gross assets were £151 million. These figures have been extracted, without material adjustment, from the consolidated audited accounts of Whitbread (for the year ended 2 March 2006), the unaudited management accounts of Pizza Hut UK (for the four weeks ended 16 July 2006) and from the consolidated audited accounts of Pizza Hut UK (for the year ended 4 December 2005).

4. Summary of terms of Disposal

Under the Share Purchase Agreements, Whitbread Group has agreed to sell its 50% shareholding in Pizza Hut UK to Yum! for £99 million, payable in cash at Completion. Completion is conditional on the approval of the Disposal by Shareholders at the EGM and Yum! obtaining regulatory clearance from the European Commission. Subject to the satisfaction of these conditions, Completion is expected to take place on 12 September 2006.

Whitbread Group has given limited warranties in favour of Yum! and an indemnity in relation to certain tax matters, both of which are subject to limitations and are customary for this type of transaction. In the event of a breach of the warranties given by the Whitbread Group relating to title to shares in Pizza Hut UK prior to Completion, Yum! has a right to terminate the Share Purchase Agreements.

Further details of the Share Purchase Agreements are set out in Part II of this document.

5. Extraordinary General Meeting

A notice convening an EGM of the Company to be held at the offices of Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB at 2.00 p.m. on 4 September 2006 at which the Resolution will be put to Shareholders is set out at the end of this document.

6. Action to be taken

A Form of Proxy for use by Shareholders is enclosed. You are requested to complete the form in accordance with the instructions thereon and return it so that it arrives not later than 48 hours before the time appointed for holding the Extraordinary General Meeting. If you complete and return the Form of Proxy, you can still attend and vote at the Extraordinary General Meeting in person, if you wish.

7. Further Information

Your attention is drawn to Part II of this document which provides a summary of the principal terms and conditions of the Disposal and to Part III of this document which provides additional information on the Company.

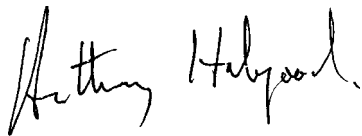
8. Recommendation

The Board considers the Disposal to be fair and reasonable so far as the Shareholders are concerned and has been so advised by Deutsche Bank. In giving that advice, Deutsche Bank has taken into account the Board's commercial assessments of the Disposal.

Under the Listing Rules, Yum! is precluded from voting in relation to the Disposal. Yum! has undertaken in the Share Purchase Agreements to abstain and to ensure that its associates will abstain from voting on the Resolution in the event that either it or its associates own ordinary shares in the Company. As at the last practicable date before the publication of this Circular, Yum! was not recorded as a shareholder in the Company's register of members.

The Board considers the Disposal to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the Resolution set out in the Notice of Extraordinary General Meeting, as the Directors intend to do in respect of their own beneficial holdings of, in aggregate, 92,054 ordinary shares, representing approximately 0.04 per cent. of the existing ordinary share capital of the Company.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anthony Habgood', written in a cursive style.

Anthony Habgood
Chairman

PART II

SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL

Pursuant to the Share Purchase Agreements, Whitbread Group has agreed to dispose of its 50% share in Pizza Hut UK to Yum!. The principal terms and conditions of the Disposal under the Share Purchase Agreements are set out below.

Consideration

The value agreed for the 50% interest is £112 million. After adjustments for debt and other liabilities, the total net purchase price payable by Yum! under the Share Purchase Agreements will be £99 million, payable in cash on Completion.

Conditions

The Share Purchase Agreements are conditional upon the passing of the Resolution and upon Yum! obtaining the requisite regulatory clearance from the European Commission (although Yum! may waive this condition at its sole discretion and proceed with the Disposal to the extent permissible under applicable competition laws).

Warranties and indemnities

Since Pizza Hut UK is a 50/50 joint venture between Whitbread Group and Yum!, Whitbread Group has agreed to give only certain limited warranties and a tax covenant in favour of Yum!. The warranties are qualified by the knowledge of a small number of key employees of Whitbread. Warranties in respect of title to the shares being sold pursuant to the Disposal, warranties in respect of Whitbread Group's capacity to enter into the Share Purchase Agreement and warranties in respect of agreements with connected parties are to be repeated at Completion.

In respect of claims made under the warranties, no liability will exist in respect of any claims unless the aggregate amount of all such claims exceeds £500,000 and, in respect of claims made under the tax covenant, no liability will exist in respect of any claim unless the aggregate amount exceeds £1.5 million. Other than for claims under the tax covenant, no liability will exist for Whitbread Group for any claim (or series of claims arising from substantially identical facts or circumstances) where the liability determined does not exceed £25,000. The aggregate liability of Whitbread Group in respect of all claims under the Share Purchase Agreements shall not exceed 25% of the consideration, save for claims in respect of the warranties relating to title to the shares and claims in respect of the warranties relating to Whitbread Group's capacity to enter into the Share Purchase Agreement under which the aggregate liability shall not exceed the consideration.

The Share Purchase Agreements also contain limited warranties given by Yum! and other members of Yum!'s group in relation to their authority and capacity to enter into the Share Purchase Agreements.

Yum! will indemnify Whitbread Group against any payment which it may incur after Completion in respect of the Pizza Hut UK pension scheme. The aggregate liability of Yum! under the indemnity shall not exceed £14 million.

Termination

In the event that the warranties relating to title to the shares, the warranties relating to the capacity of Whitbread Group's to enter into the Share Purchase Agreement, or the warranties in respect of agreements with connected parties are breached by Whitbread Group prior to Completion, Yum! will be entitled to terminate the Share Purchase Agreements.

Non-compete

Whitbread Group has undertaken with Pizza Hut UK and Yum! that neither Whitbread Group nor its subsidiaries will, for a period of two years following Completion, operate or be directly or indirectly involved in any food outlet in which the sale of pizza products accounts for more than 5% of annual gross revenue, at which pizza products are produced other than by re-heating pre-delivered products, or which trades under a name which includes the word "pizza".

Termination of other agreements

The joint venture documents between Whitbread Group and Yum! under which Pizza Hut UK has operated as a joint venture will be terminated upon Completion, with the exception of agreements in relation to the supply of Costa Coffee to certain Pizza Hut UK outlets which will continue on their current terms.

PART III
ADDITIONAL INFORMATION

1. The Company

The registered and head office of the Company is at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable LU5 5XE and its telephone number is 01582 424 200.

The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

2. Major Shareholders

In so far as is known to the Company as at 10 August 2006 (being the last practicable date prior to the publication of this document) each of the following persons (not being Directors) has, directly or indirectly, an interest in 3% or more of the issued ordinary shares in the capital of the Company:

	<u>Number of Ordinary Shares</u>	<u>Percentage</u>
Legal and General	11,730,924	5.34%
AXA	44,134,816	20.11%
Barclays	8,241,542	3.75%

3. Significant Change

Other than the sale of 239 of its freestanding pub restaurant sites as described at paragraph 2 of Part I of this document and the return of £400 million to Shareholders by means of a bonus issue of B shares in July 2006, there has been no significant change to the trading or financial position of the Group since 2 March 2006, the date to which the last audited consolidated financial statement of the Group was prepared.

4. Material Contracts

The only material contracts, not entered into in the ordinary course of business, which have been entered into by the Company or any member of the Group within the period of two years immediately prior to the date of this document and which are or may be material to the Group or have been entered into at any time and which contain provisions under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document and is information which Shareholders would reasonably require to make a properly informed assessment of how to vote at the EGM are the Share Purchase Agreements relating to the Disposal, details of which are summarised in Part II of this document.

5. Consent

Deutsche Bank has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name and references thereto in the form and context in which they are included.

6. Documents on Display

Copies of the following documents may be inspected at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on any day up to the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the written consent of Deutsche Bank referred to in paragraph 5 above;
- (c) the consolidated audited accounts of the Company and its subsidiary undertakings for the year to 3 March 2005 and the year to 2 March 2006; and
- (d) a copy of this document.

16 August 2006

WHITBREAD PLC

(the “Company”)

(registered in England and Wales with company number 04120344)

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB at 2.00 p.m. on 4 September 2006 to consider, and if thought fit, to pass the following resolution as an ordinary resolution:

That the proposed disposal by Whitbread Group PLC, a wholly-owned subsidiary of the Company, of its entire shareholding in Pizza Hut UK to Yum! on the terms of the Share Purchase Agreements (as defined in the circular sent to the shareholders of the Company) be and is hereby approved and the Directors (or a duly authorised committee of them) be and are hereby authorised to do all things that are necessary or desirable to give effect to the disposal on or substantially on the terms of the Share Purchase Agreements with such modifications, amendments, variations or waivers as are necessary or desirable and not of a material nature.

By order of the Board
Simon Barratt
Company Secretary

Registered Office:
Whitbread Court
Houghton Hall Business Park
Porz Street
Dunstable
LU5 5XE

16 August 2006

Notes:

1. A Shareholder of Whitbread who is entitled to attend and vote at the EGM but is unable or does not wish to attend is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. A proxy does not need to be a Shareholder. Unless specified otherwise the Chairman of Whitbread will act as proxy and vote on a poll as directed by the appointing Shareholders. Shareholders will have been sent a Form of Proxy that includes instructions on how to complete it. If you do not have a Form of Proxy and believe that you should, please contact Computershare on 0870 703 0103 (+44 870 703 0103 if calling from outside the United Kingdom).
2. To be valid any Form of Proxy or other Proxy Instructions must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ by no later than 2.00 p.m. on 2 September 2006. The return of a completed Proxy Card or CREST Proxy Instruction will not prevent you from attending the EGM and voting in person if you wish to do so.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
4. Any message, regardless of whether it relates to the appointment of a proxy or to an amendment to an instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare (CREST participant ID 3RA50) by 2.00 pm on 2 September 2006. After this time any change to instructions to proxies appointed through CREST should be communicated to the agent by other means.
5. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company as at 2.00 p.m. on 2 September 2006 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 2.00 p.m. on 2 September 2006 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

