WHITBREAD

FY24 H1 Results

18 October 2023

Strong H1 performance driven by our differentiated business model
Positive outlook based on current trading and favourable supply backdrop
Increased dividend and further £300m capital return

H1 FY24 Group Financial Summary

£m	H1 FY24	H1 FY23	*vs H1 FY23*
Statutory revenue	1,574	1,350	*17%*
Adjusted EBITDAR†	628	512	*23%*
Adjusted profit before tax†	391	272	*44%*
Statutory profit before tax	395	307	*29%*
Statutory profit after tax	293	234	*25%*
Adjusted basic EPS†	146.1p	107.0p	*37%*
Statutory basic EPS	147.6p	115.7p	*28%*
Dividend per share	34.1p	24.4p	*40%*
Group ROCE†	12.6%	9.0%	*360bps*
Net cash†	67	182	*(115)*
Net cash and lease liabilities†	(3,882)	(3,567)	*(315)*

Overview

- Group adjusted profit before tax up 44% which was ahead of our expectations, driven by our strong brand, clear strategy and powerful business model
- UK hotel demand is strong and with supply not now expected to return to pre-pandemic levels for at least five years. We are therefore seeking opportunities to grow our pipeline towards our long-term potential of 125,000 rooms across the UK and Ireland, whilst continuing to maintain our financial discipline
- UK adjusted pre-tax margins increased to 27.5% (H1 FY23: 24.4%), and UK ROCE was 14.9% (H1 FY23: 11.0%), well ahead of pre-pandemic levels
- In Germany, we continue to make good progress and reconfirm our previous guidance for FY24. We remain on course to achieve our long-term ambition of reaching 10-14% return on capital
- The Group's strong revenue performance, focus on cost efficiencies and vertically integrated business model has generated significant cash flow in the period
- £300m share buy-back completed on 3 October 2023, in accordance with our capital allocation framework; further £300m buy-back to be completed by the time of the FY24 preliminary results
- Current trading and outlook: recent trends continuing with forward booked revenue position ahead of last year and no change to cost guidance; visibility on UK supply underpins our confidence in the outlook for FY24 and beyond

Financial highlights

- Premier Inn UK: total UK accommodation sales were 15% ahead of H1 FY23 and 55% above H1 FY20, with strong RevPAR growth in both London and the Regions
- F&B sales increased by 10% vs H1 FY23, driven by a return to year-on-year growth in covers and spend per head
- Premier Inn Germany: total accommodation sales were up 82% vs H1 FY23 reflecting further room openings and the progressive maturity of the existing estate
- Group statutory revenue increased by 17% vs H1 FY23 to £1,574m
- Despite ongoing inflationary pressures, adjusted profit before tax increased by 44% to £391m, including reduced adjusted losses before tax in Germany of £14m; £4m of adjusting items meant that statutory profit before tax increased by 29% to £395m
- Strong cashflow generation: adjusted operating cash flow increased by £73m to £483m funding further investment in the UK and Germany as well as £364m paid to shareholders during the first half
- Strong balance sheet: lease-adjusted net debt: adjusted EBITDAR† of 2.5x

- Interim dividend per share increased by 40% to 34.1p per share (H1 FY23: 24.4p) reflecting the strong H1 performance and our confidence in the outlook. The dividend will be paid on 8 December 2023

Segment highlights

Premier Inn UK

£m	**H1 FY24**	**H1 FY23**	***vs H1 FY23***
Statutory revenue	1,479	1,298	*14%*
Adjusted profit before tax†	407	317	*28%*
Revenue per available room (£)†	71.02	62.39	*14%*

Premier Inn Germany

£m	**H1 FY24**	**H1 FY23**	***vs H1 FY23***
Statutory revenue	95	52	*81%*
Adjusted loss before tax†	(14)	(25)	*44%*
Revenue per available room (£)†	45.79	35.06	*31%*

Current trading (six weeks to 12 October 2023)

- The positive drivers seen during the first half have continued into Q3 FY24 with sustained strong levels of demand across both leisure and business and in London and the Regions
- Premier Inn UK: total UK accommodation sales were up 13% versus the same period in FY23, with a RevPAR premium of £6.64 versus the M&E market[1]
- Premier Inn UK: forward booked occupancy is broadly in-line with last year but at higher ARRs, with the result that booked revenue for Q3 and Q4 is well-ahead of last year
- F&B: total sales were 8% ahead of FY23
- Premier Inn Germany: Total accommodation sales were 44% ahead of the same period in FY23 and overall RevPAR was €65 while in aggregate the cohort of more established hotels had RevPAR of €71

Outlook and FY24 guidance

- We remain optimistic about the outlook; leisure and business demand remains strong as evidenced by our forward booked position; favourable supply dynamics are set to continue for some time with the continued decline of independent hotels and constrained UK room supply growth
- There are no changes to our previous FY24 guidance other than the following amendment to gross capex and disposals:
  - Having taken advantage of a number of high returning freehold purchases in the UK, Ireland and Germany, we are increasing our FY24 gross capex guidance to £500-£550m (up from £400-£450m previously), partially funded by expected disposal proceeds relating to property transactions of between £50m and £100m

† signifies an alternative performance measure ('APM') – further information can be found in the glossary and reconciliation of APMs at the end of this document.

1: STR UK data, standard basis, 1 September 2023 to 5 October 2023, Midscale & Economy ('M&E') market excludes Premier Inn

Commenting on today's results, Dominic Paul, Whitbread Chief Executive Officer, said:

"This is an impressive first half performance. In the UK, we maintained high levels of occupancy whilst continuing to attract excellent guest scores and offering great value for our customers. The strengths of our operating model and our continued focus on driving cost efficiencies across the business resulted in UK margins exceeding pre-pandemic levels. In Germany, we are making good progress and are continuing to refine our strategy based on our learnings to-date and whilst there is much work to do as we continue to grow, we remain on course to achieve our long-term ambition of 10-14% return on capital.

"We are generating significant operating cash flow that we are redeploying into future profit growth as well as returning value to shareholders through increased dividends and share buy-backs. Given the structural shift in hotel supply and by continuing to invest in our assets, our brand and our teams, we remain confident that we can both extend our market leading position in the UK and replicate that success in Germany.

"The Group is in excellent shape, trading well and has significant growth potential, both in the UK and Germany. Based on our strong performance to-date and an encouraging forward booked position, we remain optimistic about the full year outlook and look forward with confidence as reflected by our increased interim dividend and further planned share buy-back."

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A webcast for investors and analysts will be made available at 8:00am on 18 October 2023 and will be followed by a live Q&A teleconference at 9:15am. Details of both can be found on Whitbread's website (www.whitbread.co.uk/investors).

†Alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures ('APMs') which are consistent with the way that the business performance is measured internally. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the financial performance of the Group'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. Further information can be found in the glossary and reconciliation of APMs at the end of this document.

Business Review

The Group has delivered another impressive first half performance. This is thanks to the inherent strengths of our vertically integrated business model, the continued execution of our strategy and the structural shift in hotel supply, with a significant reduction in the number of independent hotels following the pandemic and a marked reduction in new hotel construction. Our continued programme of investment has delivered further room growth and helped to ensure the consistent delivery of a quality guest experience.

The UK market remained buoyant during the period with strong levels of consumer demand from both leisure and business customers. London was particularly strong, boosted both by domestic and international inbound demand, as well as by a year-on-year increase in office-based business travel that had remained constrained until the second quarter of FY23. High levels of occupancy in our hotels helped to drive food and beverage ('F&B') sales, especially in our integrated restaurants, while a series of commercial initiatives meant that we also saw good revenue growth in our branded restaurants, with both covers and spend per head increasing versus the prior year.

In Germany, we continued to make good progress with a further 1,200 rooms and six hotels opened in the first half. Revenues were up strongly year-on-year, driven by new openings and the increasing maturity of our open hotels. The impact of some changes as we continued to test and tailor our UK model for the German market, together with some market softness over the summer months, were partially offset by a better-than-expected contribution from the portfolio of recently acquired hotels that joined the Group at the end of FY23. Reflecting our increasing scale in Germany, we have strengthened our German management team to accelerate our pathway to becoming the country's number one hotel brand.

Group Results

The strong trading performance resulted in total statutory revenues of £1,574m, a 17% increase versus H1 FY23. The high operating leverage inherent in our business model and a continued focus on driving cost efficiencies meant that, despite inflationary pressures, adjusted operating profit increased by 30% to £445m. The phasing of certain cost inflation in the UK meant that the first half performance was particularly strong with a substantial increase in operating profit margins and cashflow. A further interest credit from the pension fund of £8m (see note 11), together with a full period benefiting from higher interest rates on our cash balances, meant that adjusted profit before tax increased by 44% to £391m and adjusted pre-tax profit margins increased to 24.9%. Adjusting items of £4m (H1 FY23: £36m) meant that statutory profit before tax increased to £395m (H1 FY23: £307m). Tax expenses of £102m resulted in a 25% increase in statutory profit after tax to £293m. The strong growth in post-tax earnings, together with a lower number of shares in issue as a result of the share buy-back, meant that statutory basic earnings per share increased by 28% versus H1 FY23 to 147.6p (H1 FY23: 115.7p).

The strong trading performance delivered an 18% increase in adjusted operating cashflow that reached £483m in the period (H1 FY23: £410m). The phasing of our ongoing programme of investment in both expansionary (£91m) and non-expansionary capex (£122m), together with an increased final dividend and cash returns to shareholders meant that net cash outflow increased to £104m. However, given the strong operating performance, we ended the period with total cash balances of £1,061m and a net cash balance of £67m.

Further details regarding the Group's first half performance, both in the UK and Germany, are set out below.

Premier Inn UK – sustained strong performance

Strong demand for our hotel rooms coupled with a weak supply backdrop helped drive UK accommodation sales up 15% vs H1 FY23. After a very strong first quarter, the year-on-year growth rate softened during the second quarter, reflecting the pace of recovery in the previous year. Versus FY20, our ongoing estate expansion and RevPAR growth of 42% meant that UK accommodation sales were up 55%. F&B sales were up 10% versus H1 FY23, helped by a number of commercial initiatives introduced during the second half of FY23. As a result, total UK revenue grew by 14% to £1,479m (H1 FY23: £1,298m).

The growth in accommodation sales was particularly strong in London (+24% vs H1 FY23 and +68% vs H1 FY20), boosted by a combination of strong leisure and business demand as well as an uptick in inbound volumes that drove both occupancy and average room rate ('ARR'). The fact that London took a little longer to recover from the pandemic in the prior year also provided a further boost to year-on-year growth. The Regions also delivered an impressive performance, with accommodation sales up 13% versus the prior year and 52% up versus H1 FY20. With occupancy already at high levels, the main driver of revenue growth in the Regions was ARR. Overall, we maintained a well-balanced mix of leisure and business customers, thereby maximising the chances that we can reach the optimal level of occupancy to maximise revenue and profit.

The strength of our brand in conjunction with our proprietary, automated trading engine (‘ATE’), helped Premier Inn UK increase its RevPAR premium versus the wider M&E market to £6.73, up from £5.58 in H1 FY23 and £2.28 in H1 FY20. As a result, the growth in our total accommodation sales was 2.6pp ahead of the market. Several external and internal factors are contributing to this continued outperformance, a summary of which is outlined below:

Differentiated business model – Our approach is different from many other large hotel groups – being vertically integrated, we have a large capital base and are able to capture a significant proportion of the value chain. Our model also provides greater control over the customer journey, enabling us to offer a consistent and high-quality customer experience at scale – a combination that has proven its ability to attract large numbers of customers, generate significant cashflow and a high return on capital.

Strong market position – Premier Inn is the UK’s largest hotel group. Having added 430 new rooms and closed 72 rooms during the first half, as at 31 August 2023 we had 849 hotels and 83,934 rooms open across the UK and Ireland, with the result that, for most of our guests, wherever they might need to stay, there is always a Premier Inn nearby.

Market supply remains below pre-pandemic levels – The breadth of our coverage has meant that we have been able to capture the demand left by the marked contraction of the independent sector over the last four years. Subsequent internal analysis has shown that up to 70% of those hotels identified as having closed following the pandemic, have already been converted to alternative use. New hotel and leisure construction starts are also constrained, with the three-month average value of new starts in July 2023 some 40% lower than a year earlier[1].

1: Glenigan Construction Industry Forecast 2023-2025, June 2023 and company estimates

Brand strength supported by effective marketing – Thanks to many years of investment, the quality of our offer and customer service, Premier Inn is widely recognised as one of the UK’s favourite brands. It is why we are able to continue to drive large volumes of traffic to our website and why we continue to attract large numbers of repeat guests – in H1 FY24, approximately 86% of the five million bookings made were by consumers that have booked with us before. A shift towards a more regular frequency of brand marketing in H1 FY24 has been rewarded with further growth in the percentage of consumers that would consider booking at Premier Inn and higher ad awareness scores.

Dynamic and proprietary automated trading engine (‘ATE’) – Strong yield management is a core requirement for any successful hotel business and our in-house trading team is committed to a continuous process of improvement, seeking ways that we can increase and maximise revenue. Given the scale of our historic database, ATE is particularly well-placed to improve our performance by optimising the trade-off between ARR, occupancy and marketing spend in order to maximise revenue and profit. Through improvements to our pricing strategies, we have been able to reduce the proportion of rooms sold at £80 or less from 51% last year to 37% in H1 FY24, increasing ARR and RevPAR.

Further improvements to our proposition for business customers – As business customers travel more frequently, are more likely to book one of our flexible rates and are easier to serve, we have continued to broaden our appeal through several different channels. Our Business Booker portal, that is free to join and enables corporates to receive a discount of up to 15% off our fully flexible rates, is continuing to prove popular with SMEs. At the end of H1 FY24 Business Booker represented approximately 10% of total accommodation sales, up from 8% the previous year. Having deepened our relationships with a number of Travel Management Companies (‘TMCs’) over the past few years, we have also increased the proportion of revenues coming through this channel to 10% (H1 FY23: 8%). Our Premier Inn Business Account provides SMEs with a free-to-use tool to help manage travel-related expenses and payments and also offers interest-free payment terms for up to six weeks, enhancing our appeal to small businesses.

A focus on operational excellence – Our position as the UK’s number one hotel brand is not something we take for granted. It is the result of years of investment, strategic planning and most importantly, the dedicated commitment and support of our 39,000 team members that deliver for our guests every day. Their performance has been particularly impressive during H1 FY24 where, despite high levels of occupancy in our hotels and strong year-on-year growth in F&B, we continued to see improvements in our guest scores. When operating at close to full capacity, ensuring that all of our teams are appropriately rewarded, well-trained and able to progress in their careers, safeguards their individual wellbeing and allows them to focus on delivering a great experience for our guests. As a result of these efforts, we have seen a strong stabilisation of our teams with retention rates improving by 5pp relative to last year and 69% of our team members now have more than one year's service.

Continuing to deliver a quality guest experience – The scale and breadth of our business means we receive almost continuous and immediate feedback from our guests across a broad variety of metrics. This is invaluable in enabling us to both track our performance and identify new ways we can improve our service. Recent additions to our customer offer have included an ability to opt for early check-in/late check-out and an option to pre-book a made-up twin room rather than having a room with a double bed and a sofa bed. As part of our regular refurbishment programme, we have started to replace some of our older format rooms with our new ID5 format and are also well-advanced with our bed-replacement programme – as at 31 August 2023, we had replaced 48,500 beds out of 65,000 beds in total. Our Premier Plus rooms continue to achieve high levels of occupancy and at a £15 - £20 premium to the standard room rate, are providing a healthy RevPAR uplift versus a standard room in the same hotel. We have increased the number of Premier Plus rooms across our UK estate to over 4,400 in H1 FY24 and plan to open another 200 rooms in the second half of the year.

Whilst difficult to apportion the impact of these factors on our overall performance, we believe each is and will continue to help us sustain a RevPAR premium to the rest of the M&E market.

High levels of occupancy in our hotels and a steady proportion of hotel guests taking breakfast and dinner, provided a year-on-year boost to F&B sales that were up 10% versus the prior year. Food and beverage is important to our hotel guests and drives a RevPAR uplift in our hotels. Whilst our branded restaurants enjoyed an uplift in sales versus the prior year, with increases in both numbers of covers and spend-per-head thanks to a number of commercial initiatives, revenues have only just returned back to pre-pandemic levels. Given the impact of inflation, we are continuing to look at a range of options to help improve the performance and returns of our F&B business whilst ensuring that we safeguard the quality experience for our hotel guests and will provide further updates as we make progress.

While cost inflation, together with high occupancy, meant that our operating costs increased significantly in the period, the inherent operating leverage of our business model and the benefit of our ongoing cost savings programme meant that adjusted pre-tax profit grew by 28% to £407m (H1 FY23: £317m) and margins increased to 27.5% (H1 FY23: 24.4%), which is well ahead of the 24.3% achieved in H1 FY20.

Premier Inn Germany – still on-track despite softer summer trading

With a total of 57 hotels and over 10,000 rooms open at the half year, plus a further 6,000 rooms in the pipeline, we remain on course to become the number one hotel chain in Germany. Whilst we effectively lost two years of progress during the pandemic, in aggregate our cohort of more established hotels[1] are continuing to lead the way from a performance perspective. They are also providing invaluable insights that we are using to both tailor our customer offer and refine our operating model so that we can drive revenue growth and efficiencies, as we head towards achieving 10-14% return on capital.

After a strong first quarter performance, we were impacted in the second quarter by some changes as we continued to test and tailor our UK model for the German market and by some softness in market demand over the summer months. Having still been subject to travel restrictions until May the previous year, German holidaymakers returned to overseas markets for their summer holiday, resulting in a return to a more normalised level of domestic leisure demand. While these factors together softened our revenue performance in Q2 FY24, our cohort of more established hotels[1] delivered a robust performance in the first half with RevPAR of €60 in aggregate (H1 FY23: €51), which was in line with the wider M&E market. Despite having opened another six hotels and 1,200 rooms during the first half, total estate RevPAR increased to €53, reflecting the progressive maturity of the estate as well as a positive contribution from the six hotels acquired just before the end of FY23 and that will start to be refurbished during H2 FY24. We continue to be encouraged by the performance of our cohort of more established hotels which achieved a profit[2] of £6m for the 12 months to the end of H1 FY24 (12 months to H1 FY23: loss of £1m). The net result was that that Germany as a whole delivered a reduced adjusted loss before tax of £14m (H1 FY23: loss of £25m).

1: Cohort of 17 more established German hotels that were open and trading under the Premier Inn brand for 12 consecutive months as at 4 March 2022

2: In aggregate adjusted profit before tax excluding non-site related administration and overhead costs

Having improved our pricing strategies during the period, we have started to see a positive impact on performance, however we also recognise the need to continue to refine our commercial strategy as we progress towards our target levels of return. Key areas of focus include: continuing to evolve our pricing strategy, particularly around events; the introduction of additional rate classes and taking advantage of the enhanced capabilities of our upgraded hotel reservation system that is now in place across Germany. We are also conducting a trial on Booking.com in order to test whether an indirect distribution channel can help accelerate incremental sales and profit growth, whilst also increasing the awareness of our brand among both domestic and international guests.

With a recovery in market demand and the benefit of the pricing changes outlined above, we have an encouraging forward booked position and remain on course to achieve an adjusted loss before tax of between £30m and £40m in the current financial year, in line with our previous guidance. Looking further ahead, while macroeconomic uncertainties remain and while we still have much work to do in order to reach break-even in 2024 and to then progress towards the 10-14% return on capital that we expect to achieve over the long-term, we remain on-track.

Capital allocation – increased dividend and further £300m share buy-back

Having set out our capital allocation framework in October 2022, we sought to provide investors with a clear view of our approach and confirmed a £100m final dividend together with an initial £300m share buy-back at the time of FY23 results. Our thinking around capital allocation has not changed and we remain focused on the following key priorities:

- maintaining our investment grade status by operating within our leverage threshold;
- continuing to fund our ongoing capital expenditure requirements and investing through the cycle;
- selective freehold acquisitions and M&A opportunities that meet our returns thresholds;
- growing dividends in line with earnings; and
- returning excess capital to shareholders dependent on outlook and market conditions.

The strength of our first half performance meant that, even after capital expenditure of £213m (H1 FY23: £304m), and £364m on shareholder returns, we retained a strong balance sheet and were pleased to receive an upgrade to our credit rating to BBB (previously BBB-)[1].

Fitch Ratings ('Fitch') have recently amended their methodology used to assess the Group's credit rating by switching to a lease-adjusted net debt: adjusted EBITDAR multiple, aligning the approach with that of other hotel groups. Lease liabilities at the end of the period were £3.9bn (H1 FY23: £3.7bn) and as a result, our ratio of EBITDAR[1] to lease-adjusted net debt was 2.5x, which is within our policy of managing to our internal threshold of less than 3.5x.

Having completed the previous £300m share buy-back on 3 October 2023 as planned, the Board has reapplied the capital allocation framework outlined above. Given the strength of our financial performance, our confidence in the outlook and the headroom available against our investment grade metrics, the Board has declared an increased interim dividend totalling £66m and intends to conduct an additional £300m share buy-back, to be completed by the time of the FY24 preliminary results.

1: Fitch Ratings, 17 August 2023

Business strategy

Our vertically integrated business model and strong balance sheet, in conjunction with our business strategy and a clear focus on operational excellence, are combining to deliver impressive financial results. While the three pillars of our strategy remain unchanged, the following sections outline some of our future plans and initiatives that we believe will continue to drive the business forward and create additional value for our shareholders and other key stakeholders.

1. Continuing to grow and innovate in the UK

The Group is a focused hospitality group, providing our guests with a quality night's sleep and great F&B, all at an affordable price. With our differentiated business model and a determination to continue to invest through the cycle, Premier Inn has become the clear market leader in the UK M&E market, a segment that remains highly attractive:

- **The budget branded model is structurally advantaged**: The M&E segment remains one of the highest growth segments of the UK hotel market and has also demonstrated its resilience during previous downturns as leisure and business customers alike look to 'trade down' in search of greater value;

- **Significant opportunities for growth:** our latest network planning exercise highlighted the significant and structural decline in the independent hotel sector following the pandemic. This increased the potential opportunity for Premier Inn in the UK and Ireland to 125,000 rooms (up from 110,000 rooms previously). This compares with our total open and committed pipeline of over 91,000 rooms today.

- **Enhanced structural opportunities:** Since completing our network planning exercise in the summer of 2022, inflation and interest rates have increased substantially. As a result, based on our latest view of UK pipelines and new construction projects, we have revised our previous view and do not now expect the market level of supply to return to pre-pandemic levels for at least five years. This favourable market backdrop underpins our prospects for further room growth and an increased opportunity for Premier Inn to grow market share.

Given this market context, extending our market leading position is a key priority for the Group. Our scale and vertically integrated approach mean we can offer both quality and value to the millions of guests that stay with us each year. Our guest appeal is universal as evidenced by our well-balanced mix between leisure and business, that itself is broadly balanced between tradespeople and office workers. Our direct distribution model, with less than 1% of accommodation sales going through online travel agents, ensures we have complete control of the customer relationship. Our distribution model also helps minimise customer acquisition and retention costs and allows us to integrate our digital marketing into our pricing decisions, reducing acquisition costs and enhancing our ability to maximise RevPAR.

Ongoing commercial initiatives

We are continuing to drive a number of commercial initiatives that are focused on delivering further revenue growth and increased returns. These include the ongoing evolution of ATE in response to changes in consumer behaviour as well as the competitive landscape. Developed over many years, our ability to price dynamically remains a substantial source of value for the Group and ensures that we optimise the balance between occupancy and ARR in order to maximise revenues and profits. The scale of our operations requires that we continue to drive millions of visitors directly to our website each week and so we will continue to sustain high levels of brand awareness through a combination of both national brand advertising as well as more targeted offline and digital marketing campaigns. We will also continue to invest in developing and improving our customer journey and online experience so that we can maximise the conversion of visits into bookings. Efforts to broaden our appeal through further product development and segmentation are another area of focus: we now have 16 hub hotels and over 4,400 Premier Plus rooms across our UK estate with a plan to increase both over the coming years. We will also continue to progress our bed replacement programme, with 48,500 of the 65,000 beds now left to replace over the coming months. In F&B, we are continuing to pursue a number of options to help improve performance and will provide further updates as we make progress.

Each of these investments and developments are in addition to our regular programme of room upgrades and refurbishments, all of which help to ensure that our guests always enjoy their stay with us and want to come back again in the future.

2. Growing at scale in Germany

Germany represents a significant opportunity for the Group. As well as being approximately 40% larger than the UK in terms of numbers of rooms, no brand has more than a 2% share of the German market and there is a very large independent hotel sector (67% of the market in 2022) that has declined significantly since the pandemic. In contrast, Premier Inn Germany has grown from having just six hotels with around 1,000 rooms in FY20 to having 57 hotels and over 10,000 rooms open with a further 6,000 rooms in the pipeline.

Whilst we have expanded our coverage and network significantly over the past few years, the time it takes for new hotels to mature and the fact that we lost two years of progress during the pandemic have delayed our delivery of profitability in Germany. Whilst we remain on course to reduce losses this financial year, we are on-track but still have work to do in order to reach break-even in 2024 and to then progress towards the 10-14% return on capital that we expect to achieve over the long-term.

Key tasks include increasing our brand awareness among domestic and international consumers – while we continue to make good progress, we need to accelerate this through effective marketing and brand promotion, as well as by continuing to increase the appeal of our proposition to corporate customers. We are testing the efficacy of Booking.com as an additional distribution channel to help drive incremental revenue and profit growth whilst increasing the visibility of our brand. Taking the learnings from all of our hotel openings to-date, we are continuing to refine our operating model and improve both our dynamic pricing as well as our customer offer so that they are better suited to the German market.

To help ensure these initiatives are implemented effectively, we have recently strengthened our German management team with the appointment of Erik Friemuth who will become CEO of Premier Inn Germany on 1 January 2024 and will report directly to Dominic Paul, Group CEO. Erik joins from TUI AG where he is Group Chief Marketing Officer and also Managing Director of TUI Hotels & Resorts. Erik brings a wealth of experience from his time spent in the German hospitality and leisure sector having been at TUI since April 2014 and where he is responsible for around 400 hotels with €2bn of revenues and around 15,000 employees.

3. Enhancing our capabilities to support long term growth

Our 'investing to win' approach of continuing to invest in our business, our teams and our brands, through the cycle, is only possible thanks to the following key drivers:

Financial strength: Our adjusted operating cashflow in the six months to 31 August 2023 was £483m. Even after having invested £213m in expansionary and non-expansionary capex and having rewarded shareholders with £364m in dividends and share buy-backs in the first half, the Group's balance sheet remains robust with net cash of £67m (H1 FY23: £182m). The improvement in the Group's credit rating to BBB[1] (previously BBB-) ensures access to the debt markets and helps to minimise the Group's cost of funding. When entering into leasehold or other transactions, the strength of our covenant means we are viewed as a highly attractive partner, thus creating a competitive advantage for the Group. Our financial strength also means we can continue to add more rooms, improve our customer offer, invest in our teams and enhance our systems infrastructure, all of which help drive revenues and reduce costs. Financial flexibility also allows us to complete strategic M&A deals, subject to our rigorous capital appraisal process, underpinning our planned future growth.

1 Fitch Ratings – 17 August 2023

Asset-backed balance sheet: Our large freehold estate provides us with a number of commercial and financial advantages when compared with alternative, more 'asset-lite' models:

- total control over the location and initial development of the hotel as well as all maintenance and redevelopment;
- access to development profits through sale and leasebacks;
- a strong financial covenant, helping to secure more favourable lease terms with landlords and attractive financing terms with lenders;
- protection from increasing property costs and therefore lower earnings volatility during periods of high or persistent inflation; and
- an additional and flexible source of funding, one that can often be available at more attractive rates than other sources of finance.

As we are flexible between taking on freehold or leasehold opportunities, we have a much better prospect of securing the sites that we want and in the best locations. It also means we are better able to optimise the size and format of our assets in order to maximise returns. Since the period end, we completed a number of property transactions including the purchase of a freehold site in Fenchurch Street, London for £57m and the sale of an office building that we built as part of a hotel development in Clerkenwell for £39m.

Lean and agile cost model: As the largest vertically integrated hospitality group in the UK and with a growing presence in Germany, we have a sizeable cost base. With the sharp rise in inflation over the past 18 months and our positioning as a low-cost operator, our focus on driving cost efficiencies has become even more important. We have a long history and culture of continuously seeking out new and improved ways of working to deliver operational efficiencies and reduce costs. We remain on course to deliver a total of £140m of cost savings in the four years to FY25.

Operating responsibly and sustainably: As a major employer in the UK and with a growing presence in Germany, we recognise our responsibilities in those communities where we have a physical presence – to our teams, customers and other key stakeholders. Through our Force for Good sustainability programme, we seek to drive our social and environmental agenda that has stretching targets in areas such as employee diversity and wellbeing, climate change and community, each of which are embedded within our overall business strategy.

The execution of each of these three elements of our business strategy remain central to our long-term success and underpin our strong financial performance which has continued in the current trading period.

Current Trading – six weeks to 12 October 2023

The positive trading performance enjoyed during the first six months has continued into the third quarter. Total UK sales were 12% ahead of the same period in FY23 and total accommodation sales were up by 13% and a RevPAR premium versus the wider M&E market of £6.64[1]. Occupancy in the period was 86.5% versus 85.8% last year and average room rate was £86.35 up from £78.56 last year.

UK food and beverage sales were 8% ahead of the same period last year.

In Germany, we saw an uplift in performance helped by strong demand during September which benefited from a number of events and trade fairs taking place in key cities. Total accommodation sales were 44% ahead of the same period in FY23 and overall RevPAR was €65 (FY23: €60) while in aggregate the cohort of more established hotels had RevPAR of €71 (FY23: €68).

1: STR UK data, standard basis, 1 September 2023 to 5 October 2023, Midscale & Economy ('M&E') market excludes Premier Inn

Outlook

We remain confident about the Group's prospects for the full year, led by a continued strong performance in the UK, reduced losses in Germany and the benefit of having a strong balance sheet.

Current trading in the UK remains strong and our forward booked revenue position is well ahead of the same period last year. Our view on UK market supply has also improved with continued pressures on the independent hotel sector from rising interest rates and inflation and a lack of developer funding contributing to a 40% reduction in the value of new hotel and leisure construction versus a year ago. As a result, we now expect that UK supply will remain constrained and is unlikely to return to pre-pandemic levels for at least five years. Given the timescales required for new hotel development, this backdrop gives us confidence beyond FY24 and while we continue to monitor consumer demand trends closely, Premier Inn represents excellent value relative to its peers as well as the upscale segments, that have seen room rates increase significantly versus FY20.

In Germany, having overcome a few short-term challenges over the summer months, we remain on course. We have a clear plan for replicating our UK success in this large and exciting market and whilst not immune from macroeconomic pressures and concerns, we remain encouraged by our performance to-date. Our more established hotels are continuing to improve and are providing invaluable learnings for our more recent openings. With a strengthened management team and a committed pipeline taking us to over 16,000 rooms, we remain confident in becoming the number one hotel chain in Germany. We are on-track to reach break-even with the current estate on a run-rate basis during 2024 and thereafter to achieve our long-term goal of 10-14% return on capital.

Summary of Additional Guidance FY24

FY24 guidance was set out in our FY23 full year results and our Q1 FY24 trading update. While sales sensitivities remain unchanged, our cost guidance is updated to include the following:

UK
- Inflation: no change to previous guidance of 7-8%

Germany
- No change to previous guidance: FY24 loss before tax expected to be £30m-£40m

Balance sheet

- Gross capex: now expected to be £500-£550m reflecting a number of recent freehold purchases in the UK, Ireland and Germany
- Disposal proceeds: expected to be between £50m and £100m
- Interest on cash: no change to previous guidance, in line with Bank of England rates

A Force for Good

Being a Force for Good is vital to the sustainable and long-term growth of our business. This is why our sustainability programme is embedded across all business functions, ensuring that responsible business practices are integrated into our operations. Our programme comprises three core pillars: opportunity, responsibility and community and revolves around stretching targets based on robust materiality analysis that focuses on our commitment to enable everyone to live and work well and to look after the environment and resources upon which we, and our business depend.

Opportunity

Our commitment is to give everyone at Whitbread the opportunity to grow and develop, with no barriers to entry and no limits to ambition. Our investment in opportunity is centred around three themes – diversity & inclusion ('D&I'), wellbeing, and training.

We have eight D&I commitments that underpin opportunity at Whitbread. At the end of H1 FY24 we are tracking well against stretching targets set for leadership representation, of 40% female representation and 8% ethnic representation by the end of 2023. Our four employee networks – enAble (disability inclusion), GEN (gender equality), GLOW (LGBTQIA+) and RRCH Network (race, religion, and cultural heritage) have matured in H1 FY24, increasing their reach and engagement through a greater number of events than were ever held before. Our work on education, awareness and allyship has been recognised and we were proud to have been awarded 'Exemplary Employer' status by the Investing in Ethnicity Awards, the only hospitality company in the top 25 employers ranking.

As well as D&I - mental, financial, and physical wellbeing is central to creating an environment that creates opportunity. In H1 FY24 we increased the number of Mental Health First Aiders and Champions from 121 to 172. We also launched a financial education programme so everyone who works for us has access to live, and recorded, webinars providing excellent support. In the physical well-being space, we launched a new digital platform that gives employees greater access to a range of services to allow them to self-support their physical and mental wellbeing.

Training and development is also integral to our approach for creating opportunity for our people. This year we have made a significant investment in developing over 500 Hotel Managers and General Managers, giving our site leaders the chance to develop first class technical skills and management capability and to re-establish and refresh our standards and expectations.

All our new joiners have a mandated training journey when they join us. In H1 FY24 we launched a new, simplified, induction journey, which has been positively received by new joiners and site managers. We are particularly proud of our award-winning apprenticeship programmes. Over 2,000 people, across a range of levels, are currently on a programme and we are delighted to have been rated #1 by the apprentices themselves in 'Rate My Apprenticeship'. At our Support Centres, we have new development opportunities to support colleagues in developing and growing their careers. In addition, we now offer internship positions, designed to get members of our local Luton and Dunstable communities onto the Whitbread career ladder. In September 2023, we were also delighted to welcome our 2023 cohort from our long-standing partnership with Derwen and Hereward Colleges, providing supported internships for young adults with special educational needs to find employment at Premier Inn.

Responsibility

Within our responsibility pillar and noting the fast-evolving regulatory environment in which we operate, during H1 FY24 we have reviewed carefully the upcoming requirements, identifying any gaps that may exist between our current position and where we need to be. In the short term, our efforts will be focused on the upcoming German Supply Chain Act ('GSCA)' and over the medium-term, on compliance with the EU Deforestation

Regulation ('EUDR'), and the upcoming Corporate Sustainability Reporting Directive ('CSRD') as well as the requirements set by the International Sustainability Standards Board ('ISSB'). We are also undertaking an estate-wide biodiversity baseline assessment as the first step under the new reporting requirements and are working on our next disclosure under the Taskforce on Climate-related Financial Disclosures ('TCFD'). As we outlined in our last TCFD report, we undertake a full review of our climate-related risks and opportunities every other year. Having been working through this process during H1 FY24, we are now looking forward to taking the most material risks and opportunities through the scenario analysis and quantification process.

In our ESG report at the end of last year, we outlined that our carbon targets were going through the Science-Based Targets Initiative ('SBTi') validation process. We are delighted to report that this validation was confirmed during H1 FY24. Under this validation, we have committed to reach net-zero greenhouse gas ('GHG') emissions across the value chain by FY50. We have committed to a near-term target of reducing scope 1 and 2 GHG emissions by 84.1% per square meter by FY30 from a FY16 base year and a scope 3 GHG emissions reduction of 58.1% per square meter by FY30 from a FY18 base year. Our long-term targets are to reduce scope 1 and 2 GHG emissions by 99.6% by FY40 from a FY16 base year and to reduce scope 3 GHG emissions by 90% by FY50 from a FY18 base year.

To achieve our SBTi validated targets, we have published our first full Transition Plan to Net Zero. This was created in line with the Transition Plan Taskforce's guidance and outlines the steps we will take in order to meet our net zero carbon goals. It sets out the priority steps for our Scope 1 and 2 emissions reduction and we have been progressing well with these over the first half of the year. Our site refurbishment to net zero plans are developing and with some encouraging early results, we look forward to reporting the final outcome and impact at the end of the year. We are also progressing our estate-wide net zero 'readiness' audit and look forward to reporting the results of this at the year end. This audit will feed into the transition plan and enable a site level refurbishment roll-out plan that aligns both our commercial and our environmental ambitions.

We are delighted to have opened our first all-electric Premier Inn hotel, powered by renewables, in Swindon during October 2023. This site paves the way for the construction of future Premier Inn hotels, demonstrating the feasibility of a site run purely on renewable energy. We look forward to sharing more news about this hugely innovative milestone and the impact it will have once the site is launched.

As part of our progress towards reaching our Scope 3 carbon target, we are in the process of completing an analysis of our sustainable soy footprint and starting work to analyse our menus to identify the opportunities for reduction, recognising that F&B is one of our most significant categories for carbon emissions in our value chain.

At the end of FY23, we announced a new water reduction target, focused on reducing water usage across our estate by 20% per sleeper by 2030. We have been rolling out the interventions involved in driving this reduction over the past few months and early indications show that we are tracking ahead of where we thought we would be at this stage in the roll out plan, with a greater than expected reduction in water usage. We are pleased with these results and are now looking at how best we can roll out the interventions across the remainder of the estate.

Our commitment to cut food waste in half by 2030 and to eliminate single-use plastics by 2025 remain challenging but we are working hard on both these projects to enable a positive end of year progress report.

Community

Under our community pillar, our commitment to our charity partner Great Ormond Street Hospital Charity ('GOSH') continues and we have raised £1m in the first half of the year, bringing our total since 2012 to £23m. Our partnership achieved Highly Commended recognition at the Corporate Engagement Awards for Most Effective Long-term commitment and won the Best Partnership with a Children's Charity at the Better Society Awards.

We also look to support those in need on an ad hoc basis. Following on from our donations to the Ukraine through DEC ('Disaster Emergency Committee') and as part of our new bedding roll out last year, we have in the first half of FY24, begun donating mattresses coming out of our hotels as we roll out our new version across our estate with our charity partner Hope and Aid Direct.

Our charity work is also important to our Inclusion Networks, and this year the sale of a Pride cocktail across our estate helped to raise funds for LGBTQ+ charity 'akt' who support LGBTQ+ young people aged 16-25 in the UK who are facing or experiencing homelessness or living in a hostile environment, as part of our ongoing commitment to LGBTQIA+ inclusion.

For further information on our Force for Good programme, please see our most recent ESG Report: https://www.whitbread.co.uk/sustainability/our-strategy-targets/.

Business Review

Premier Inn UK[1]

£m	H1 FY24	H1 FY23	*vs H1 FY23*
Statutory Revenue	**1,479**	**1,298**	***14%***
Other income (excl rental income)	-	-	*n/a*
Operating costs before depreciation, amortisation & rent	(852)	(771)	*(11)%*
Adjusted EBITDAR†	**627**	**528**	***19%***
Net turnover rent and rental income	(1)	1	*(183)%*
Depreciation: Right-of-use asset	(70)	(66)	*(6)%*
Depreciation and amortisation: Other	(86)	(83)	*(3)%*
Adjusted operating profit†	**472**	**380**	***24%***
Interest: Lease liability	(65)	(62)	*(4)%*
Adjusted profit before tax†	**407**	**317**	***28%***
ROCE†	**14.9%**	11.0%	*390bps*
PBT Margins†	**27.5%**	24.4%	*310bps*

Premier Inn UK[1] key performance indicators

	H1 FY24	H1 FY23	*vs H1 FY23*
Number of hotels	849	844	*1%*
Number of rooms	83,934	82,773	*1%*
Committed pipeline (rooms)	7,291	8,875	*(18)%*
Occupancy	84.4%	84.8%	*(40)bps*
Average room rate†	£84.13	£73.54	*14%*
Revenue per available room†	£71.02	£62.39	*14%*
Sales growth[2]:			
Accommodation	15%		
Food & beverage	10%		
Total	14%		
Like-for-like† sales[2] growth:			
Accommodation	13%		
Food & beverage	10%		
Total	12%		

1: Includes one site in each of: Guernsey and the Isle of Man, two sites in Jersey and three sites in Ireland
2: Total and like-for-like versus H1 FY23

Total statutory revenue was 14% ahead of H1 FY23, led by the performance of our UK hotels that delivered a very strong performance. Total accommodation sales were up 15% in the period, with occupancy broadly flat at 84% and average room rates increasing by 14% to £84.13. The strength of performance in the period was underpinned by the favourable supply environment in the UK hotel market, continued strong business and leisure demand and our continued focus on operational and commercial excellence.

Premier Inn extended its RevPAR premium versus the wider M&E market throughout the period, consolidating our strong market position and demonstrating the strengths of our scale, brand, direct distribution, proprietary automated trading engine and vertically integrated operating model.

UK performance vs M&E market

	Q1 FY24	Q2 FY24	H1 FY24
PI accommodation sales growth performance (vs FY23)[1]	+1.1pp	+3.8pp	+2.6pp
PI occupancy growth performance (vs FY23)[1]	(0.4)pp	(0.8)pp	(0.6)pp
PI ARR growth performance (vs FY23)[1]	(0.3)pp	2.9pp	1.5pp
PI RevPAR premium (absolute)[1]	+£6.27	+£7.20	+£6.73
PI market share[2]	8.9%	8.6%	8.8%
PI market share gains pp (vs FY23)[2]	(0.1)pp	0.2pp	0.1pp

1: STR data, standard basis, Premier Inn accommodation revenue, occupancy, ARR and RevPAR 3 March 2023 to 31 August 2023, M&E market excludes Premier Inn
2: STR data, revenue share of total UK market, 3 March 2023 to 31 August 2023

Total F&B sales were 10% ahead of H1 FY23 assisted by the high levels of occupancy in our hotels and the success of a number of commercial initiatives which were put in place during the second half of FY23.

Operating costs of £852m were 11% higher than the same period last year (H1 FY23: £771m) reflecting cost inflation and estate growth, partially offset by savings from our ongoing cost efficiency programme. EBITDAR margins increased to 42.4% (H1 FY23: 40.6%) and total EBITDAR was £627m, an increase of £100m. Right-of-use asset depreciation was £70m and lease liability interest was £65m. We opened three new hotels during the half, totalling 430 rooms and we closed 72 rooms, as we continue to optimise our estate when suitable opportunities arise. At the end of the period, the total estate stood at 849 hotels with 83,934 rooms open.

Adjusted profit before tax in the UK increased by 28% to £407m (H1 FY23: £317m), driven by the strength of our UK hotel performance. As a result, pre-tax profit margins increased to 27.5%, 310bps ahead of H1 FY23 and 320bps ahead of FY20.

Premier Inn Germany

£m	H1 FY24	H1 FY23	*vs H1 FY23*
Statutory revenue	**95**	**52**	***81%***
Other income (excl. rental income)	3	-	*n/a*
Operating costs before depreciation, amortisation and rent	(75)	(51)	*(47)%*
Adjusted EBITDAR†	**23**	**2**	***>1,000%***
Net turnover rent and rental income	-	-	*0%*
Depreciation: Right-of-use asset	(20)	(15)	*(31)%*
Depreciation and amortisation: Other	(7)	(5)	*(33)%*
Adjusted operating loss†	**(4)**	**(19)**	***80%***
Interest: Lease liability	(10)	(6)	*(65)%*
Adjusted loss before tax†	**(14)**	**(25)**	***44%***

Premier Inn Germany[1] key performance indicators

	H1 FY24	H1 FY23	*vs H1 FY23*
Number of hotels	57	42	*36%*
Number of rooms	10,251	7,608	*35%*
Committed pipeline (rooms)	5,830	7,080	*(18)%*
Occupancy	64.1%	63.4%	*70bps*
Average room rate†	£71.44	£55.27	*29%*
Revenue per available room†	£45.79	£35.06	*31%*
Sales growth[2]:			
Accommodation	*82%*		
Food & beverage	*74%*		
Total	*81%*		
Like-for-like† sales[2] growth:			
Accommodation	*34%*		
Food & beverage	*30%*		
Total	*33%*		

1: Includes one site in Austria
2: Total and like-for-like versus H1 FY23

Total statutory revenue in Germany was 81% ahead of H1 FY23, reflecting the increased size of our estate and the progressive maturity of our hotels. During the half we opened six new hotels including our second hotel in Dresden and our first in Darmstadt, taking our open estate to 57 hotels with a total of 10,251 rooms open and a further 5,830 rooms in the committed pipeline (H1 FY23: 7,608 rooms open; committed pipeline of 7,080 rooms). With the lifting of all pandemic-related restrictions in April 2022, our first quarter performance in FY24 reflected the strong market recovery versus a much weaker comparator period. Our performance in the second quarter was softer than expected. This reflected some changes as we continued to test and tailor our UK model for the German market and also by the fact that many German consumers returned to international travel for their summer holiday with the result that the market returned to a more normalised level of domestic leisure travel. Overall, total estate RevPAR increased to £45.79, with further growth in both occupancy and ARR.

Other income includes the release of a £3m provision relating to a prior period claim for Government support which has now been finalised (H1 FY23: £nil).

Operating costs in the period increased by £24m to £75m reflecting the continued growth in our estate as well as high levels of cost inflation, particularly in labour and F&B. Drawing upon our growing trading experience across each of our hotels, we are continuing to tailor our proposition for the German consumer as well as refine our operating model, thereby reducing costs whilst continuing to deliver a quality guest experience. We are also exploring ways in which we might accelerate our revenue growth further and have commenced a trial on Booking.com to understand whether it can help drive incremental RevPAR and profitability whilst at the same time, increasing our brand awareness.

Right-of-use asset depreciation costs increased by £5m to £20m as we opened five new leasehold hotels in the period. Other depreciation and amortisation costs increased to £7m and lease liability interest costs were £10m, reflecting the material estate growth over the last year.

Despite ongoing macroeconomic uncertainties, adjusted operating losses in the period reduced to £14m (H1 FY23: £25m), reflecting the progressive maturity of our existing hotels, together with a continued focus on costs. We maintain our previous guidance of delivering a loss before tax of between £30m and £40m in FY24, including the refurbishment of hotels acquired at the end of FY23 which commenced during the second half of the year.

Central and other costs

£m	H1 FY24	H1 FY23	*vs H1 FY23*
Operating costs before depreciation, amortisation and rent	(22)	(17)	*(28)%*
Share of loss from joint ventures	(0)	(0)	*0%*
Adjusted operating loss†	**(23)**	**(18)**	***(28)%***
Net finance income / (costs)	21	(3)	*885%*
Adjusted loss before tax†	**(1)**	**(20)**	***94%***

Central operating costs of £22m were £5m higher than H1 FY23, primarily driven by consultancy and systems upgrade-related costs. Net finance costs decreased by £24m to a £21m credit reflecting interest receivable on the Group's cash balances following the increases in interest rates to £26m (H1 FY23: £6m) and £8m of IAS 19 pension finance income (H1 FY23: £7m).

Financial review

Financial highlights

£m	H1 FY24	H1 FY23	*vs H1 FY23*
Statutory revenue	**1,574**	**1,350**	***17%***
Other income (excl rental income)[1]	3	-	*n/a*
Operating costs before depreciation, amortisation and rent	(949)	(839)	*(13)%*
Adjusted EBITDAR†	**628**	**512**	***23%***
Net turnover rent and rental income	(1)	1	*(183)%*
Depreciation: Right-of-use asset	(89)	(81)	*(11)%*
Depreciation and amortisation: Other	(93)	(88)	*(5)%*
Adjusted operating profit†	**445**	**343**	***30%***
Net finance income / (costs) (excl. lease liability interest)	21	(3)	*885%*
Interest: Lease liability	(75)	(69)	*(9)%*
Adjusted profit before tax†	**391**	**272**	***44%***
Adjusting items	4	36	*(90)%*
Statutory profit before tax	**395**	**307**	***29%***
Tax expense	(102)	(74)	*(39)%*
Statutory profit after tax	**293**	**234**	***25%***

Statutory revenue
Statutory revenues were up 17% versus last year, driven by the combination of a robust demand environment coupled with reduced level of supply in the UK hotel market, an improved performance from F&B and continued growth of our hotel estate in Germany.

Adjusted EBITDAR
Other income includes a £3m provision release relating to a prior period claim for Government support which has now been finalised (H1 FY23: £nil). Operating costs of £949m were 13% higher than H1 FY23, driven by cost inflation and estate growth in both the UK and Germany, partially offset by further savings from our cost efficiency programme. As a result, adjusted EBITDAR was £628m, 23% ahead of last year and demonstrating the operational leverage of our business model.

Adjusted operating profit
The leasehold estate in the UK grew by net two hotels and by five hotels in Germany with the result that right-of-use depreciation increased by £8m to £89m. Our continued programme of investment and new hotel openings resulted in other depreciation and amortisation charges increasing by £5m to £93m. Given the strong growth in adjusted EBITDAR, adjusted operating profit increased by 30% from £343m in H1 FY23 to £445m in the first half of the year.

Net finance costs
Strong cashflow and a marked increase in interest rates resulted in higher interest receivable on the Group's cash balances. An interest credit from the pension fund of £8m resulted in a net finance credit (excluding lease liability interest) for the period of £21m compared to a £3m charge in H1 FY23. Lease liability interest of £75m was £6m higher than the same period last year, primarily driven by the opening of two leasehold hotels in the UK and five leaseholds in Germany.

Adjusting items
Total adjusting items before tax were a credit of £4m for the period compared to a £36m credit in H1 FY23.

During the period, the Group received a settlement of £3m in relation to a legal claim made against a payment card scheme provider and received reimbursements for the costs of remedial works on cladding material from property developers totalling £2m.

In addition, the Group made a profit on six property disposals totalling £2m (H1 FY23: £1m) as we continue to optimise the estate, as and when suitable opportunities arise. The Group also released provisions of £4m (HY23 £nil) relating to historic indirect tax matters.

The Group has assessed the presentation of costs incurred in relation to the implementation of both current and future strategic IT programmes. The programmes currently scheduled include the upgrade to both the Group's Hotel Management System as well as its HR & Payroll System. These represent significant business change costs for the Group rather than replacements of IT systems with the system products being Software as a Service ('SaaS'). The start date of these projects varies and as such we expect costs to be incurred within this category over the next few financial years, with their strategic benefit expected to last for multiple years.

Cash costs incurred on the programmes and presented within adjusting items in the period were £9m with cumulative cash costs to date being £22m (FY23: £14m). At this time, the Group expects to incur future costs, presented within adjusting items across the current and future financial years, as follows: for the second half of FY24 between £15m and £20m, during FY25 between £10m and £20m and during FY26 up to £5m.

Taxation

The statutory tax charge of £102m (H1 FY23: £74m) represents an effective tax rate on statutory profit for the six-month period ended 31 August 2023 of 25.8% (H1 FY23: 20.4%). This is higher than the UK statutory corporate tax rate of 25.0% (H1 FY23: 19.0%) primarily due to the impact of overseas tax losses for which no deferred tax has been recognised.

Statutory profit after tax

Statutory profit after tax for the period was £293m in H1 FY24, compared to a profit of £234m in H1 FY23.

Earnings per share

	H1 FY24	**H1 FY23**	***vs H1 FY23***
Adjusted basic profit / earnings per share†	146.1p	107.0p	*37%*
Statutory basic profit / earnings per share	147.6p	115.7p	*28%*

Adjusted basic profit per share of 146.1p and statutory basic profit per share of 147.6p reflect the adjusted and statutory profits reported in the period and are based on a weighted average number of shares of 199m (H1 FY23: 202m). The reduction in the weighted average number of shares reflects shares purchased and cancelled as part of the Group's previously announced share buy-back programme.

Dividend

The Board has declared an increased interim dividend of 34.1 pence per share (H1 FY23: 24.4 pence), reflecting the Group's performance in the first half, its strong balance sheet, continued current trading momentum and confidence in the full year outlook. This will result in a total interim dividend payment of £66m. The interim dividend will be paid on 8 December 2023 to all shareholders on the register at the close of business on 3 November 2023. Shareholders will be offered the option to participate in a dividend re-investment plan. The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle. Full details are set out in note 8 to the accompanying financial statements.

Cashflow

£m	H1 FY24	H1 FY23
Adjusted EBITDAR†	**628**	**512**
Change in working capital	4	29
Net turnover rent and rental income	(1)	1
IFRS 16 interest and principal lease payments	(149)	(132)
Adjusted operating cashflow†	**483**	**410**
Interest (excl. IFRS 16)	9	(16)
Corporate taxes	(26)	(7)
Pension	(3)	(2)
Capital expenditure: non-expansionary	(122)	(82)
Capital expenditure: expansionary[1]	(91)	(222)
Disposal Proceeds	8	56
Non-cash other	6	13
Other	(4)	(4)
Cashflow before shareholder returns / receipts and debt repayments	**260**	**144**
Dividend	(99)	(70)
Shares purchased for Employee Share Ownership Trust ('ESOT')	-	(33)
Share buy-back	(265)	-
Net cashflow	**(104)**	**42**
Opening net cash†	171	141
Repayment of long-term borrowings	-	-
Closing net cash†	**67**	**182**

1: H1 FY24 includes £nil payment of contingent consideration (£6.4m payment of contingent consideration)

The Group's strong trading performance coupled with a focus on cost efficiencies delivered a 23% increase in adjusted EBITDAR to £628m. Lease liability interest and lease repayments increased by £17m to £149m reflecting the increase in our leasehold estate in the UK and Germany. A reduction in other debtors reflected a number of property transactions offset by a decrease in creditors resulting in a £4m working capital inflow in the period (H1 FY23: £29m inflow). This contributed to an adjusted operating cashflow of £483m, £73m higher than H1 FY23.

The corporation tax net outflow in the period was £26m. This comprises payments of £27m in the UK and £0.2m in Germany, net of a £1m repayment of historic taxes.

Non-expansionary capital expenditure was £122m and reflected an increase in refurbishment activity, our systems replacement projects and our bed replacement programme. Expansionary capital expenditure was £91m, £131m lower than last year which included three large freehold purchases in London and Dublin. With additional freehold purchases already announced and planned in the second half of the year, full year gross capex spend is expected to be between £500m and £550m.

Disposal proceeds of £8m (H1 FY23: £56m) include the disposal of three properties as the Group continues to optimise its estate when suitable opportunities arise. The prior year includes £46m relating to the sale and leaseback of a property in Marylebone. Additional property disposals, either already announced or expected in the second half of FY24, mean we expect to receive total disposal proceeds between £50m and £100m in FY24.

The £6m of other non-cash items includes inflows relating to share-based payments of £9m (H1 FY23: £7m), and £3m representing non-cash pension scheme administration costs (H1 FY23: £2m), partially offset by outflows relating to £6m of net provision movements (H1 FY23: £3m inflow).

The increase in operating cashflow funded the capital expenditure in the period and therefore resulted in a cash inflow before shareholder returns of £260m (H1 FY23: £144m).

Following the strong financial and operating performance in FY23, the Board recommended a final dividend of 49.8p per share on 25 April 2023. This resulted in a payment of £99m which was paid on 7 July 2023. On 24

April 2023 the Board approved a £300m share buy-back to be completed by 18 October 2023. In the period 8m shares were repurchased and cancelled for consideration of £265m with the remaining shares to be repurchased before the completion date.

Following the payment of the increased final dividend and share buy-back, the net cash outflow was £104m and net cash at the end of the period was £67m.

Debt funding facilities & liquidity

£m	Facility	Utilised	Maturity
Revolving Credit Facility	(775.0)	-	2028
Bond	(450.0)	(450.0)	2025
Green Bond	(300.0)	(300.0)	2027
Green Bond	(250.0)	(250.0)	2031
	(1,775.0)	(1,000.0)	
Cash and cash equivalents		1,061	
Total facilities utilised, net of cash[1]		**61**	
Net cash†		**67**	
Net cash and lease liabilities†		**(3,882)**	

The Group's objective is to manage to investment grade metrics and specifically to a lease-adjusted net debt : adjusted EBITDAR† ratio of less than 3.5x over the medium term[2]. We received confirmation of an upgrade to our investment grade status on 17 August 2023 from BBB- to BBB. During the first half, the Group's lease-adjusted net debt was £2,529m (H1 FY23: £2,217m) and the lease-adjusted net debt : adjusted EBITDAR ratio was 2.5x (H1 FY23: 2.8x).

As at 31 August 2023, £35m of the £775m Revolving Credit Facility is carved-out as an ancillary guarantee facility for the Group's use in Germany. This facility replaces an existing credit line previously made available to the Group outside of the RCF. Guarantees totalling €23m were in issue at 31 August 2023 (March 2023: €22m).

1: Excludes unamortised fees associated with the debt instrument
2: This measure has been changed to align to Fitch methodology on an adjusted EBITDAR basis and as a result has reset the leverage threshold to 3.5x lease-adjusted net debt : adjusted EBITDAR (previously 3.7x)

Capital investment

£m	H1 FY24	H1 FY23
UK maintenance and product improvement	120	81
New / extended UK hotels[1]	39	182
Germany and Middle East[2]	54	42
Total	**213**	**304**

1: H1 FY24 includes £nil capital contributions to joint ventures (H1 FY23: £nil)
2: H1 FY24 includes £nil payment of contingent consideration (H1 FY23: £6.4m)

Total capital expenditure in H1 FY24 was £213m, which was approximately £90m lower than the previous year. UK maintenance and product improvement spend was £120m, £39m higher than H1 FY23, reflecting hotel refurbishments, systems-related projects and the Group's ongoing bed replacement programme. UK expansionary expenditure included £39m on developing new sites. This was £143m lower than in H1 FY23 that included the purchase of freehold properties in London and Dublin. In Germany, capital spend was driven by the purchase of a freehold property in Lindau and the continued development of our committed pipeline. As a result, gross capital expenditure in FY24 is now expected to be between £500m and £550m with between £50m and £100m expected to be received from disposals.

Property, plant and equipment of £4.6bn was higher than H1 FY23 (£4.5bn), with an increase in capital expenditure partially offset by depreciation charges.

Property backed balance sheet

Freehold / leasehold mix	Open estate	Total estate[1]
Premier Inn UK	57%:43%	55%:45%
Premier Inn Germany	22%:78%	24%:76%
Group	53%:47%	51%:49%

1: Open plus committed pipeline

The current UK estate is 57% freehold and 43% leasehold, a mix that is expected to change to 55% freehold and 45% leasehold as the existing pipeline is brought onstream. The higher leasehold mix in Germany reflects the greater proportion of city centre locations.

The new site openings in Germany and continued expansion in the UK resulted in right-of-use assets increasing to £3.5bn (H1 FY23: £3.3bn) and lease liabilities increasing to £3.9bn (H1 FY23: £3.7bn).

Return on Capital[1] – Premier Inn UK

Returns	H1 FY24	H1 FY23
Group ROCE†	12.6%	9.0%
UK ROCE†	14.9%	11.0%

1: Germany ROCE not included as losses were incurred in the year

The strong revenue and profit performance meant that Group ROCE increased to 12.6% and UK ROCE increased to 14.9% and we remain confident in being able to deliver long-term sustainable returns on incremental investment. We believe that our vertically integrated business model means we are particularly well-placed to capitalise on the significant structural opportunities in both the UK and Germany. Despite ongoing inflationary pressures, we believe that such headwinds can be mitigated through a combination of continued estate growth, our longstanding efficiency programme and our ability to drive ARRs through improvements to our proprietary automated trading engine and the continuous evolution of our product.

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the 'Pension Fund'), had an IAS19 Employee Benefits surplus of £236m at the end of the period (H1 FY23: £429m). The change in surplus was primarily driven by increases in gilt yields which, due to the liability hedging strategies in place for the Fund, resulted in a lower value being placed on the assets as at 31 August 2023 compared to 1 September 2022. This was partially offset by increases in corporate bond yields, and therefore the discount rate, which reduces the value of the pension obligations.

There are currently no deficit reduction contributions being paid to the Pension Fund, however annual contributions continue to be paid to the Fund through the Scottish Partnership arrangements which amount to approximately £11m per annum. The Trustee holds security over approximately £532m of Whitbread's freehold property which will remain at this level until no further obligations are due under the Scottish Partnership arrangements, which is expected to be in 2025. Following that, the security held by the Trustee will be the lower of: £500m; and 120% of the buy-out deficit and will remain in place until there is no longer a buy-out deficit. The Pension Fund is currently in the process of conducting the triennial actuarial valuation of the Fund as at 31 March 2023.

Going concern

The directors have concluded that it is appropriate for the consolidated financial statements to be prepared on the going concern basis. Full details are set out in note 1 of the attached financial statements.

Risks and uncertainties

The directors have reconsidered the principal risks and uncertainties of the Group and have determined that those reported in the Annual Report and Accounts ('Annual Report') 2022/23 remain relevant for the remaining half of the financial year, when read together with the following considerations.

The overall risk environment continues to be uncertain with global economic weakness, political tensions and environmental events increasing complexity and changing the nature of current and emerging risks. As previously noted, Whitbread's risks have a high degree of inter-connectivity (e.g. securing talent or surety of supply chain) which amplifies any movements and can result in significant costs to the business. The most significant risk remains the economic outlook including geopolitical risks and the resulting impact on inflation across key costs and cost-of-living pressures potentially subduing demand.

We remain vigilant surrounding cyber risk and the highly dynamic nature and increasing sophistication of attacks enabled by Artificial Intelligence ('AI'). Internally, we recognise the increased risks driven by an accumulation of change via programmes and strategic priorities, especially during the next six months as we roll-out a new reservation system across our hotels. The likelihood that the property market stagnation slows growth has increased as we see less developer led opportunities, conversely this reduces the likelihood of brand challenges impacting demand from supply therefore balancing the overall risk to Whitbread.

The following summarises the risks and uncertainties set out in the Annual Report including current emerging themes:

- Uncertain economic outlook – threat of a recession which is deep and prolonged, wider macro-economic trends and current geopolitical conflicts, resulting in changeable demand, weak public and consumer confidence; reduced international travel; structural and significant inflation; leading to an inability to meet customer demand;
- Cyber and data security – reduces the effectiveness of systems or results in loss of data;
- Technology-led business change and interdependencies – ability to execute the significant volume of change under time-bound pressures, for example, the replacement of legacy systems;
- Germany profitable growth – the inability to successfully execute our strategy in Germany;
- Increased and extended focus on the proposition in Restaurants – driven by a divergence in performance of accommodation and F&B sales;
- Extended stagnation of the UK Property market slows UK growth;
- Talent attraction and retention – continued pressure following structural changes to the labour market with functional and geographical specific challenges, a reduction in our talent pools and low levels of senior diversity;
- Third party arrangements and supply chain rigour – business interruption as a result of the withdrawal of services below acceptable standards or reputational damage as a result of unethical supplier practices;
- Brand challenges impacting demand – driven by brand oversupply, new budget competitors and the threat of disruptors exploiting current consumer price sensitivity, resulting in a loss of market share;
- Health and safety – death or serious injury as a result of company negligence or a significant incident resulting from food, fire or another safety failure; and
- ESG – uncertainty as to how these collective risks, including climate change, will evolve and impact our ability to deliver on our commitments.

Our Board and management team continue to review and monitor our risk profile and emerging trends arising externally or internally, our risk management arrangements and internal control measures.

The detail of our principal risks can be found on pages 62 to 66 of the Annual Report which is available on the website www.whitbread.co.uk.

American Depositary Receipts

Whitbread has established a sponsored Level 1 American Depositary Receipt ('ADR') programme for which JP Morgan perform the role of depositary bank. The Level 1 ADR programme trades on the U.S. over-the-counter ('OTC') markets under the symbol WTBDY (it is not listed on a U.S. stock exchange).

Notes

†The Group uses certain APMs to help evaluate the Group's financial performance, position and cashflows, and believes that such measures provide an enhanced understanding of the Group's results and related trends and allow for comparisons of the financial performance of the Group's businesses either from one period to another or with other similar businesses. However, 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. APMs used in this announcement include adjusted revenue, like-for-like sales, revenue per available room ('RevPAR'), average room rate, direct bookings/distribution, adjusted operating (loss)/ profit, return on capital employed ('ROCE'), profit margin, adjusted (loss)/ profit before tax, adjusted basic profit / earnings per share, net cash / (debt), net cash / (debt) and lease liabilities, adjusted operating cashflow, adjusted EBITDA (pre-IFRS 16) and adjusted EBITDAR. Further information can be found in the glossary and reconciliation of APMs at the end of this document.

Responsibility statement
We confirm that to the best of our knowledge:

a) The condensed set of financial statements, which has been prepared in accordance with IAS 34 *Interim Financial Reporting*, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole;
b) The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR) 4.2.7R - indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year; and
c) The interim management report includes a fair review of the information required by DTR 4.2.8R - disclosure of related party transactions and changes therein.

By order of the Board

Dominic Paul — Chief Executive
Hemant Patel — Chief Financial Officer

Interim consolidated income statement

		(Reviewed) 6 months to 31 August 2023			(Reviewed) 6 months to 1 September 2022		
	Notes	**Before adjusting items £m**	**Adjusting items (Note 4) £m**	**Statutory £m**	Before adjusting items £m	Adjusting items (Note 4) £m	Statutory £m
Revenue	2	**1,574.0**	**-**	**1,574.0**	1,350.4	-	1,350.4
Other income	3	**4.3**	**3.3**	**7.6**	1.7	-	1.7
Operating costs		**(1,132.7)**	**0.4**	**(1,132.3)**	(1,008.6)	35.5	(973.1)
Operating profit before joint ventures		**445.6**	**3.7**	**449.3**	343.5	35.5	379.0
Share of loss from joint ventures		**(0.3)**	**-**	**(0.3)**	(0.3)	-	(0.3)
Operating profit		**445.3**	**3.7**	**449.0**	343.2	35.5	378.7
Finance costs	5	**(87.7)**	**-**	**(87.7)**	(84.2)	-	(84.2)
Finance income	5	**33.8**	**-**	**33.8**	12.9	-	12.9
Profit before tax		**391.4**	**3.7**	**395.1**	271.9	35.5	307.4
Tax expense	6	**(101.1)**	**(0.8)**	**(101.9)**	(55.5)	(18.0)	(73.5)
Profit for the period attributable to parent shareholders		**290.3**	**2.9**	**293.2**	216.4	17.5	233.9
Earnings per share (Note 7)							
Basic (pence)		**146.1**	**1.5**	**147.6**	107.0	8.7	115.7
Diluted (pence)		**145.0**	**1.5**	**146.5**	106.4	8.6	115.0

All of the results shown above relate to continuing operations.

Interim consolidated statement of comprehensive income

	Notes	(Reviewed) 6 months to 31 August 2023 £m	(Reviewed) 6 months to 1 September 2022 £m
Profit for the period		**293.2**	233.9
Items that will not be reclassified to the income statement:			
Remeasurement loss on defined benefit pension scheme	11	**(96.4)**	(100.6)
Current tax on defined benefit pension scheme		**0.5**	0.3
Deferred tax on defined benefit pension scheme		**23.5**	24.8
		(72.4)	(75.5)
Items that may be reclassified subsequently to the income statement:			
Net loss on cash flow hedges		**(0.8)**	-
Deferred tax on cash flow hedges		**0.8**	-
Net gain/(loss) on hedge of a net investment		**4.4**	(21.4)
Deferred tax on hedge of a net investment		**-**	2.5
Current tax on hedge of a net investment		**(0.6)**	-
Cost of hedging		**0.5**	0.5
		4.3	(18.4)
Exchange differences on translation of foreign operations		**(21.8)**	24.6
Deferred tax on exchange differences on translation of foreign operations		**-**	(2.1)
Current tax on exchange differences on translation of foreign operations		**2.7**	-
		(19.1)	22.5
Other comprehensive loss for the period, net of tax		**(87.2)**	(71.4)
Total comprehensive income for the period, net of tax		**206.0**	162.5

Interim consolidated statement of changes in equity

6 months to 31 August 2023 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total equity £m
At 2 March 2023	**164.9**	**1,026.6**	**50.2**	**5,230.1**	**35.0**	**(2,395.4)**	**4,111.4**
Profit for the period	**-**	**-**	**-**	**293.2**	**-**	**-**	**293.2**
Other comprehensive loss	**-**	**-**	**-**	**(72.4)**	**(14.8)**	**-**	**(87.2)**
Total comprehensive income/(loss)	**-**	**-**	**-**	**220.8**	**(14.8)**	**-**	**206.0**
Ordinary shares issued on exercise of employee share options	**-**	**1.5**	**-**	**-**	**-**	**-**	**1.5**
Loss on ESOT shares issued	**-**	**-**	**-**	**(6.0)**	**-**	**6.0**	**-**
Accrued share-based payments	**-**	**-**	**-**	**9.3**	**-**	**-**	**9.3**
Tax on share-based payments	**-**		**-**	**0.6**	**-**	**-**	**0.6**
Equity dividends paid (Note 8)	**-**	**-**	**-**	**(99.3)**	**-**	**-**	**(99.3)**
Share buyback and commitment (Note 13)	**(6.0)**	**-**	**6.0**	**-**	**-**	**(301.3)**	**(301.3)**
At 31 August 2023	**158.9**	**1,028.1**	**56.2**	**5,355.5**	**20.2**	**(2,690.7)**	**3,928.2**

6 months to 1 September 2022 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total equity £m
At 3 March 2022	164.8	1,024.7	50.2	5,225.3	24.3	(2,370.3)	4,119.0
Profit for the period	-	-	-	233.9	-	-	233.9
Other comprehensive (loss)/income	-	-	-	(75.5)	4.1	-	(71.4)
Total comprehensive income	-	-	-	158.4	4.1	-	162.5
Ordinary shares issued on exercise of employee share options	-	0.3	-	-	-	-	0.3
Loss on ESOT shares issued	-	-	-	(1.9)	-	1.9	-
Accrued share-based payments	-	-	-	7.4	-	-	7.4
Equity dividends paid	-	-	-	(70.1)	-	-	(70.1)
Purchase of ESOT shares (Note 13)	-	-	-	-	-	(12.3)	(12.3)
At 1 September 2022	164.8	1,025.0	50.2	5,319.1	28.4	(2,380.7)	4,206.8

Interim consolidated balance sheet

	Notes	(Reviewed) 31 August 2023 £m	(Reviewed) 1 September 2022 £m	(Audited) 2 March 2023 £m
Non-current assets				
Goodwill and other intangible assets		**189.5**	165.9	179.6
Right-of-use assets		**3,476.8**	3,310.1	3,504.6
Property, plant and equipment		**4,616.3**	4,465.8	4,554.2
Investment in joint ventures		**45.2**	47.2	48.2
Derivative financial instruments	10	**0.8**	-	-
Defined benefit pension surplus	11	**236.4**	429.2	324.7
		8,565.0	8,418.2	8,611.3
Current assets				
Inventories		**22.1**	20.8	21.7
Derivative financial instruments	10	**0.3**	-	-
Trade and other receivables		**123.8**	138.2	141.8
Cash and cash equivalents		**1,061.3**	1,174.8	1,164.8
		1,207.5	1,333.8	1,328.3
Assets classified as held for sale		**7.1**	5.8	3.2
Total assets		**9,779.6**	9,757.8	9,942.8
Current liabilities				
Lease liabilities		**153.6**	138.8	144.1
Provisions		**8.9**	24.6	20.2
Derivative financial instruments	10	**0.8**	-	-
Current tax liabilities		**12.2**	13.9	4.6
Trade and other payables		**640.8**	578.5	676.7
Other financial liabilities	13	**36.6**	-	-
		852.9	755.8	845.6
Non-current liabilities				
Borrowings	9	**994.3**	992.7	993.4
Lease liabilities		**3,795.1**	3,610.0	3,814.3
Provisions		**8.8**	10.1	8.3
Derivative financial instruments	10	**1.3**	2.8	7.8
Deferred tax liabilities	6	**199.0**	178.3	158.2
Trade and other payables		**-**	1.3	3.8
		4,998.5	4,795.2	4,985.8
Total liabilities		**5,851.4**	5,551.0	5,831.4
Net assets		**3,928.2**	4,206.8	4,111.4
Equity				
Share capital	13	**158.9**	164.8	164.9
Share premium	13	**1,028.1**	1,025.0	1,026.6
Capital redemption reserve	13	**56.2**	50.2	50.2
Retained earnings		**5,355.5**	5,319.1	5,230.1
Currency translation reserve		**20.2**	28.4	35.0
Other reserves		**(2,690.7)**	(2,380.7)	(2,395.4)
Total equity		**3,928.2**	4,206.8	4,111.4

Interim consolidated cash flow statement

	Notes	(Reviewed) 6 months to 31 August 2023 £m	(Reviewed) 6 months to 1 September 2022 £m
Cash generated from operations	12	**638.6**	554.2
Payments against provisions		**(4.1)**	(1.0)
Pension payments	11	**(2.7)**	(2.4)
Interest paid - lease liabilities		**(75.1)**	(68.6)
Interest paid - other		**(15.2)**	(21.4)
Interest received		**23.7**	5.4
Corporation taxes paid		**(26.0)**	(6.5)
Net cash flows generated from operating activities		**539.2**	459.7
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(194.5)**	(282.6)
Proceeds from disposal of property, plant and equipment		**8.3**	55.5
Investment in intangible assets		**(18.7)**	(15.2)
Payment of deferred and contingent consideration		**-**	(6.4)
Net cash flows used in investing activities		**(204.9)**	(248.7)
Cash flows used in financing activities			
Proceeds from issue of shares on exercise of employee share options		**1.5**	0.3
Payment of facility fees		**(0.8)**	(4.0)
Net lease incentives received		**0.4**	2.0
Payment of principal of lease liabilities		**(73.8)**	(65.4)
Purchase of own shares for ESOT		**-**	(32.5)
Purchase of own shares, including transaction costs	13	**(264.7)**	-
Dividends paid	8	**(99.3)**	(70.1)
Net cash flows used in financing activities		**(436.7)**	(169.7)
Net (decrease)/increase in cash and cash equivalents		**(102.4)**	41.3
Opening cash and cash equivalents		**1,164.8**	1,132.4
Foreign exchange differences		**(1.1)**	1.1
Closing cash and cash equivalents		**1,061.3**	1,174.8

Notes to the accounts

1. Basis of accounting and preparation

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 17 October 2023.

The financial information for the year ended 2 March 2023 is extracted from the statutory accounts of the Group for that year and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. These published accounts were reported on by the auditor without qualification, did not draw attention to any matters by way of emphasis and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

The interim condensed consolidated financial statements are prepared in accordance with UK listing rules and with United Kingdom adopted IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements for the six months ended 31 August 2023 and the comparatives to 1 September 2022 are unaudited but have been reviewed by the auditor; a copy of their review report is included at the end of this report.

Going concern
A combination of the strong cash flows generated by the business, and the significant available headroom on its credit facilities, support the directors' view that the Group has sufficient funds available for it to meet its foreseeable working capital requirements. The directors have concluded therefore that the going concern basis of preparation remains appropriate.

Accounting policies
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 2 March 2023.

As a result of the adjusting items recorded in the period, the accounting policy used in determining adjusting items is set out below.

Adjusting items and use of alternative performance measures
We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way the business performance is measured internally by the Board and Executive Committee. A glossary of APMs and reconciliations to statutory measures is given at the end of this report.

The term adjusted profit is not defined under IFRS and may not be directly comparable with adjusted profit measures used by other companies. It is not intended to be a substitute for, or superior to, statutory measures of profit. Adjusted measures of profitability are non-IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS.

The Group makes certain adjustments to the statutory profit measures in order to derive many of its APMs. The Group's policy is to exclude items that are considered to be significant in nature and quantum, not in the normal course of business or are consistent with items that were treated as adjusting in prior periods or that span multiple financial periods. Treatment as an adjusting item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group.

On this basis, the following are examples of items that may be classified as adjusting items:

- net charges associated with the strategic review of the Group's hotel and restaurant property estate;
- significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- significant pension charges arising as a result of changes to UK defined benefit scheme practices;
- net impairment and related charges for sites which are/were underperforming that are considered to be significant in nature and/or value to the trading performance of the business;
- costs in relation to non-trading legacy sites which are deemed to be significant and not reflective of the Group's ongoing trading results;
- transformation and change costs associated with the implementation of the Group's strategic IT programmes;
- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment;
- acquisition costs incurred as part of a business combination or other strategic asset acquisitions;
- amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business; and
- tax settlements in respect of prior years, including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year-on-year comparability, as well as the tax impact of the adjusting items identified above.

The Group income statement is presented in a columnar format to enable users of the accounts to see the Group's performance before adjusting items, the adjusting items, and the statutory total on a line-by-line basis. The directors believe that the adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee.

Seasonality
The Group operates hotels and restaurants, located in the UK and internationally. The Group generally earns higher profits during the first half of the financial year because of lower demand in the final quarter of the financial year.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities at the balance sheet date and the amounts reported as revenues and expenses during the period. Although these amounts are based on management's best estimates, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. These judgements and estimates and the underlying assumptions are reviewed regularly.

With the exception of the performance of impairment reviews of the Group's goodwill, property, plant and equipment and right-of-use assets, in preparing these condensed consolidated financial statements the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those applied to the Group's consolidated financial statements for the year ended 2 March 2023.

Critical accounting judgement

Adjusting items
Judgement is applied as to whether adjusting items meet the necessary criteria as per the accounting policy disclosed earlier in this note. Note 4 describes the items identified and separately disclosed as adjusting items.

Impairment review - property, plant and equipment and right-of-use assets[1]
Where there are indicators of impairment or impairment reversals, management performs an impairment assessment.
During the period, there were no indicators of impairment or impairment reversals and as such, no impairment assessment was deemed necessary. Accordingly, no impairment disclosures are provided within these interim condensed consolidated financial statements.

Key sources of estimation uncertainty

Defined benefit pension
The Group makes significant estimates in relation to the discount rates, inflation rates and mortality rates used to calculate the present value of the defined benefit obligation. Note 11 describes the sensitivity of the defined benefit pension obligation to changes in key assumptions.

2. Segmental analysis

The Group provides services in relation to accommodation, food and beverage ('F&B') in both the UK and internationally. Management monitors the operating results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on adjusted operating profit before joint ventures. Included within central and other in the following tables are the costs of running the public company, other central overhead costs and share of losses from joint ventures.

The following tables present revenue and profit information regarding business operating segments for the six months to 31 August 2023 and 1 September 2022.

	6 months to 31 August 2023				6 months to 1 September 2022			
Revenue	**UK & Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Accommodation	**1,084.1**	**81.1**	**-**	**1,165.2**	940.0	44.5	-	984.5
Food, beverage and other items	**395.0**	**13.8**	**-**	**408.8**	358.0	7.9	-	365.9
Revenue	**1,479.1**	**94.9**	**-**	**1,574.0**	1,298.0	52.4	-	1,350.4

	6 months to 31 August 2023				6 months to 1 September 2022			
Profit/(loss)	**UK & Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Adjusted operating profit/(loss) before joint ventures	**471.6**	**(3.8)**	**(22.2)**	**445.6**	379.5	(18.7)	(17.3)	343.5
Share of loss from joint ventures	**-**	**-**	**(0.3)**	**(0.3)**	-	-	(0.3)	(0.3)
Adjusted operating profit/(loss)	**471.6**	**(3.8)**	**(22.5)**	**445.3**	379.5	(18.7)	(17.6)	343.2
Net finance (costs)/income	**(64.9)**	**(10.2)**	**21.2**	**(53.9)**	(62.4)	(6.2)	(2.7)	(71.3)
Adjusted profit/(loss) before tax	**406.7**	**(14.0)**	**(1.3)**	**391.4**	317.1	(24.9)	(20.3)	271.9
Adjusting items (Note 4)				**3.7**				35.5
Profit before tax				**395.1**				307.4

	6 months to 31 August 2023			6 months to 1 September 2022		
Other segment information	**UK & Ireland £m**	**Germany £m**	**Total £m**	UK & Ireland £m	Germany £m	Total £m
Capital expenditure:						
Property, plant and equipment – cash basis	**140.7**	**53.8**	**194.5**	247.3	35.3	282.6
Property, plant and equipment – accruals basis	**120.3**	**53.5**	**173.8**	241.8	33.2	275.0
Intangible assets	**18.7**	**-**	**18.7**	15.2	-	15.2
Cash outflows from lease interest and payment of principal of lease liabilities	**123.0**	**25.9**	**148.9**	116.5	17.5	134.0
Depreciation – property, plant and equipment	**76.8**	**7.1**	**83.9**	74.2	5.3	79.5
Depreciation – right-of-use assets	**69.7**	**19.7**	**89.4**	65.8	15.1	80.9
Amortisation	**8.8**	**0.1**	**8.9**	8.6	0.1	8.7

Segment assets and liabilities are not disclosed as they are not reported to, or reviewed by, the Chief Operating Decision Maker.

3. Other income

	6 months to 31 August 2023 £m	6 months to 1 September 2022 £m
Rental income	**1.6**	1.7
Government payments[1]	**2.5**	-
Other	**0.2**	-
Other income before adjusting items	**4.3**	1.7
Legal claim settlement	**3.3**	-
Other income	**7.6**	1.7

[1]£2.5m has been released during this period from a brought forward provision relating to Government payments claimed in Germany during previous periods.

4. Adjusting items

As set out in the policy in Note 1, we use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and APMs which are consistent with the way that the business performance is measured internally. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

	6 months to 31 August 2023 £m	6 months to 1 September 2022 £m
Adjusting items were as follows:		
Other income:		
Legal Claim Settlement[1]	**3.3**	-
Adjusting other income	**3.3**	-
Operating costs:		
Net impairment reversals – property, plant and equipment, right-of-use assets and other intangible assets[2]	**-**	33.5
Gains on disposals, property and other provisions[3]	**8.9**	2.0
Strategic IT programme costs[4]	**(8.5)**	-
Adjusting operating costs	**0.4**	35.5
Adjusting items before tax	**3.7**	35.5
Tax adjustments included in reported loss after tax, but excluded in arriving at adjusted loss after tax:		
Tax on adjusting items	**(0.6)**	(10.5)
Effect of in-year rate differential/change in tax rates	**(0.2)**	(7.5)
Adjusting tax expense	**(0.8)**	(18.0)

[1] During the period, the Group received a settlement of £3.3m in relation to a legal claim made against a payment card scheme provider.

[2] During the period, there were no indicators of impairment or impairment reversals and as such, no impairment assessment was performed.

During the comparative period, an impairment review of assets held by the Group was undertaken, resulting in a total net impairment reversal of £35.9m. The net impairment reversal was comprised of £23.4m relating to property, plant and equipment and £12.5m relating to right-of-use assets. In addition, an impairment charge of £2.4m was recorded in relation to assets classified as held for sale.

[3] From FY18 to FY20, the Group established a provision for the performance of remedial works on cladding material at a small number of sites. During the period the Group has received reimbursements of costs of remedial works on cladding material from property developers totalling £2.4m. In addition, during the period, the Group made a profit on other property disposals of £2.1m (HY23: £0.6m) and released provisions of £4.4m (HY23: £nil) relating to historic indirect tax matters.

During the comparative period, the Group entered into a sale and lease transaction of land and a hotel currently under construction. As a result of this transaction, the Group received proceeds of £46.4m and recognised a net gain of £1.4m, the completed hotel and land will be leased back at practical completion to the Group.

[4] The Group has assessed the presentation of costs incurred in relation to the current and future strategic IT programme implementations. The programmes currently scheduled include the Group's Hotel Management System and HR & Payroll System. These represent significant business change costs for the Group rather than replacements of IT systems with the System products being Software as a Service (SaaS). The start date of these projects varies and as such we expect costs to be incurred within this category over the next few financial years, with their commercial and strategic benefit seen as lasting multiple years.

Cash costs incurred on the programmes and presented within adjusting items in the period were £8.5m with cumulative cash costs to date being £22.3m (FY23: £13.8m). At this time the Group expects to incur future costs presented within adjusting items across future financial periods as follows: for the second half of the financial year ended 2024 between £15.0m and £20.0m, during the financial year ended 2025 between £10.0m and £20.0m and during the financial year ended 2026 up to £5.0m.

5. Finance (costs)/income

	6 months to 1 August 2023 £m	6 months to 1 September 2022 £m
Finance costs		
Interest on bank loans and overdrafts	**(2.3)**	(2.9)
Interest on other loans	**(11.9)**	(12.1)
Interest on lease liabilities	**(75.1)**	(68.6)
Interest capitalised	**2.1**	0.1
Unwinding of discount on contingent consideration	**-**	(0.2)
Cost of hedging	**(0.5)**	(0.5)
	(87.7)	(84.2)
Finance income		
Bank interest receivable	**25.8**	6.1
IAS 19 pension net finance income (Note 11)	**8.0**	6.8
	33.8	12.9
Total net finance costs	**(53.9)**	(71.3)

6. Taxation

The Group effective tax rate applied to the profit before tax before adjusting items for the six months to 31 August 2023 is 25.8% (H1 FY23: 20.4%).

The tax charge for the six months to 31 August 2023 has been calculated in line with IAS 34 by applying the effective rate of tax which is expected to apply in each jurisdiction in which the Group operates for the year ending 29 February 2024.

A UK current tax rate of 24.5% and a deferred tax rate of 25% has been applied to discrete and adjusting items.

In addition, a forecast effective tax rate of 0% has been applied to the German pre-tax loss as the Group does not currently deem it appropriate to recognise a deferred tax asset. The impact on the effective tax rate from the non-recognition of German tax losses in the current period is 0.7% (HY23: 3.1%).

Consolidated income statement	6 months to 31 August 2023 £m	6 months to 1 September 2022 £m
Current tax:		
Current tax expense	**36.6**	20.9
Adjustments in respect of previous periods	**(0.4)**	-
	36.2	20.9
Deferred tax:		
Origination and reversal of temporary differences	**65.5**	45.2
Effect of in-year rate differential/change in tax rates	**0.2**	7.5
Adjustments in respect of previous periods	**-**	(0.1)
	65.7	52.6
Tax reported in the consolidated income statement	**101.9**	73.5

Deferred tax
The major deferred tax (liabilities)/assets recognised by the Group and movements during the period are as follows:

	Accelerated capital allowances £m	Rolled over gains and property revaluations £m	Pensions £m	Leases £m	Losses £m	Other £m	Total £m
At 2 March 2023	**(87.2)**	**(93.8)**	**(116.4)**	**44.3**	**97.5**	**(2.6)**	**(158.2)**
(Charge)/credit to consolidated income statement	**(25.1)**	**0.4**	**(1.4)**	**(1.5)**	**(33.6)**	**(4.5)**	**(65.7)**
Credit to statement of comprehensive income	**-**	**-**	**23.5**	**-**	**-**	**0.8**	**24.3**
Credit to statement of changes in equity	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Foreign exchange and other movements	**-**	**-**	**-**	**(0.6)**	**0.5**	**0.4**	**0.3**
At 31 August 2023	**(112.3)**	**(93.4)**	**(94.3)**	**42.2**	**64.4**	**(5.6)**	**(199.0)**

The UK's main corporation tax rate increased to 25% on 1 April 2023. All UK deferred tax balances have been recognised at this rate.

The Group has unrecognised German tax losses of £208.5m (March 2023: £199.9m) which can be carried forward indefinitely and offset against future taxable profits in the same tax group. The Group carries out an assessment of the recoverability of these losses for each tax group at the reporting period and does not currently deem it appropriate to recognise any German deferred tax asset in excess of deferred tax liabilities. Recognition of German deferred tax assets in their entirety would result in an increase in the reported deferred tax asset of £66.6m (March 2023: £63.8m).

Finance (No. 2) Bill 2023, that includes Pillar Two legislation, was substantively enacted on 20 June 2023 for IFRS purposes. The Group has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required by the amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules, issued in May 2023.

7. Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit for the period attributable to parent shareholders by the weighted average number of ordinary shares in issue during the period after deducting treasury shares and shares held by an independently managed employee share ownership trust (ESOT).

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the average share price for the period is lower than the option price or the Group is loss making, the options become anti-dilutive and are excluded from the calculation. There are nil (H1 FY23: 1.1m) share options excluded from the diluted earnings per share calculation because they would be anti-dilutive.

The number of shares used for the earnings per share calculations are as follows:

	6 months to 31 August 2023 million	6 months to 1 September 2022 million
Basic weighted average number of ordinary shares	**198.7**	202.1
Effect of dilution – share options	**1.5**	1.2
Diluted weighted average number of ordinary shares	**200.2**	203.3

The profits used for the earnings per share calculations are as follows:

	6 months to 31 August 2023 £m	6 months to 1 September 2022 £m
Profit for the period attributable to parent shareholders	**293.2**	233.9
Adjusting items before tax (Note 4)	**(3.7)**	(35.5)
Adjusting tax expense (Note 4)	**0.8**	18.0
Adjusted profit for the period attributable to parent shareholders	**290.3**	216.4

	6 months to 31 August 2023 pence	6 months to 1 September 2022 pence
Basic EPS on profit for the period	**147.6**	115.7
Effect of adjusting items before tax	**(1.9)**	(17.6)
Effect of adjusting tax expense	**0.4**	8.9
Basic EPS on adjusted profit for the period	**146.1**	107.0
Diluted EPS on profit for the period	**146.5**	115.0
Diluted EPS on adjusted profit for the period	**145.0**	106.4

8. Dividends

	6 months to 31 August 2023		6 months to 1 September 2022	
	pence per share	**£m**	pence per share	£m
Equity dividends on ordinary shares:				
Final dividend for prior year	**49.80**	**99.2**	34.70	70.1
		99.2		
Dividends on other shares:				
B share dividend	**2.60**	**0.1**	0.10	-
Total dividends paid		**99.3**		70.1

An interim dividend of 34.1p per ordinary share (2023: 24.4p) amounting to a total dividend of £65.7m (2023: £49.0m) was declared by the directors on 17 October 2023. A dividend reinvestment plan (DRIP) alternative will be offered. These consolidated financial statements do not reflect this dividend payable.

B shareholders are entitled to an annual non-cumulative preference dividend paid in arrears. There are 2.0m (H1 FY23: 2.0m) B shares in issue. The Group paid a dividend of 2.6p per share (H1 FY23: 0.1p per share) during the period.

9. Borrowings, net debt and liquidity risk

Amounts drawn down on the Group's borrowing facilities are as follows:

	Current		**Non-current**	
	31 August 2023 £m	2 March 2023 £m	**31 August 2023 £m**	2 March 2023 £m
Revolving credit facility (£775.0m)	**-**	-	**-**	-
Senior unsecured bonds	**-**	-	**994.3**	993.4
	-	-	**994.3**	993.4

Revolving credit facility

In May 2023 the Group signed an extension to the existing 5 year £775.0m multicurrency Revolving Credit Facility Agreement, extending the final maturity date by one year to now expire on 25 May 2028. The facility's other terms remain consistent, being a Multicurrency Revolving Facility Agreement and having variable interest rates with GBP being linked to SONIA and EUR being linked to EURIBOR.

The revolving credit facility agreement contains one financial covenant ratio, being:

Net Debt/Adjusted EBITDA <3.5x

As at 31 August 2023, £35.0m of the £775.0m Revolving Credit Facility is carved-out as an ancillary guarantee facility for the Group's use in Germany. This facility replaces an existing credit line previously made available to the Group outside of the RCF. Guarantees totalling €22.5m were in issue at 31 August 2023 (March 2023: €21.6m).

Senior unsecured bonds

The Group has senior unsecured bonds with coupons and maturities as shown in the following table.

Title	Year issued	Principal value	Maturity	Coupon
2025 senior unsecured bonds	2015	£450.0m	16 October 2025	3.375%
2027 senior unsecured green use of proceeds bonds	2021	£300.0m	31 May 2027	2.375%
2031 senior unsecured green use of proceeds bonds	2021	£250.0m	31 May 2031	3.000%

Movement in cash and net debt

	2 March 2023 £m	Share buyback commitments including transaction costs £m	Cash flow £m	Net new lease liabilities £m	Foreign exchange £m	Amortisation of premiums and discounts £m	31 August 2023 £m
Cash and cash equivalents	1,164.8	-	(102.4)	-	(1.1)	-	1,061.3
Liabilities from financing activities							
Borrowings	(993.4)	-	-	-	-	(0.9)	(994.3)
Lease liabilities	(3,958.4)	-	73.8	(92.4)	28.3	-	(3,948.7)
Committed share buyback	-	(301.3)	264.7	-	-	-	(36.6)
Total liabilities from financing activities	(4,951.8)	(301.3)	338.5	(92.4)	28.3	(0.9)	(4,979.6)
Less: lease liabilities	3,958.4	-	(73.8)	92.4	(28.3)	-	3,948.7
Less: committed share buyback	-	301.3	(264.7)	-	-	-	36.6
Net cash	171.4	-	(102.4)	-	(1.1)	(0.9)	67.0

Liquidity Risk

The Group has re-presented the time bands to better reflect the maturity profile that it monitors in its liquidity management activities and has amended the comparative total lease liability amount. The tables below summarise the Group's financial liabilities at 31 August 2023 and 2 March 2023 based on contractual undiscounted payments, including interest:

31 August 2023	Less than 12 months £m	Between 1 and 3 years £m	Between 3 and 10 years £m	Between 10 and 20 years £m	More than 20 years £m	Total £m
Non-derivative financial liabilities:						
Interest-bearing loans and borrowings	29.8	509.6	594.6	-	-	1,134.0
Lease liabilities	305.8	606.6	2,058.4	2,200.1	1,523.0	6,693.9
Other financial liabilities	36.6	-	-	-	-	36.6
Trade and other payables	187.7	-	-	-	-	187.7
	559.9	1,116.2	2,653.0	2,200.1	1,523.0	8,052.2
Derivative financial assets/liabilities:						
Cross currency swaps:						
Derivative contracts – receipts	(15.2)	(480.4)	-	-	-	(495.6)
Derivative contracts – payments	9.4	466.0	-	-	-	475.4
	(5.8)	(14.4)	-	-	-	(20.2)
Total	554.1	1,101.8	2,653.0	2,200.1	1,523.0	8,032.0

2 March 2023 (re-presented)	Less than 12 months £m	Between 1 and 3 years £m	Between 3 and 10 years £m	Between 10 and 20 years £m	More than 20 years £m	Total £m
Non-derivative financial liabilities:						
Interest-bearing loans and borrowings	29.8	509.6	609.3	-	-	1,148.7
Lease liabilities	301.6	604.6	2,044.0	2,232.3	1,578.0	6,760.5
Trade and other payables	198.9	3.8	-	-	-	202.7
	530.3	1,118.0	2,653.3	2,232.3	1,578.0	8,111.9
Derivative financial assets/liabilities:						
Cross currency swaps:						
Derivative contracts – receipts	(15.2)	(480.4)	-	-	-	(495.6)
Derivative contracts – payments	9.8	481.7	-	-	-	491.5
	(5.4)	1.3	-	-	-	(4.1)
Total	524.9	1,119.3	2,653.3	2,232.3	1,578.0	8,107.8

10. Financial instruments

IFRS 13 *Fair Value Measurement* requires that the classification of financial instruments measured at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and

Level 3 - Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

The following financial instruments are measured at fair value:

Derivative financial instruments
The Group has in place a net investment hedge in relation to the investment made in Germany.

The fair value of derivative instruments classified as level 2 is calculated by discounting all future cash flows by the relevant market discount rate at the balance sheet date.

	31 August 2023 £m	1 September 2022 £m	2 March 2023 £m
Financial assets			
Derivative financial instruments – level 2	**1.1**	-	-
Financial liabilities			
Derivative financial instruments – level 2	**(2.1)**	(2.8)	(7.8)
Deferred and contingent consideration – level 3	**(3.6)**	(19.9)	(3.8)

There were no transfers between levels during any period disclosed.

11. Defined benefit pension surplus

During the six-month period to 31 August 2023, the defined benefit pension scheme has moved from a surplus of £324.7m to £236.4m. The key movements in the surplus are as follows:

		£m
Pension surplus as at 2 March 2023		324.7
Remeasurement due to:		
Changes in financial assumptions	57.3	
Return on plan assets lower than discount rate	(153.7)	
		(96.4)
Contributions from employer		2.6
Net interest on pension liability and assets		8.0
Benefits paid direct by the company in relation to an unfunded pension scheme		0.1
Administrative expenses		(2.6)
Pension surplus as at 31 August 2023		**236.4**

The surplus has been recognised as, under the governing documentation of the Whitbread Group Pension Fund, the Group has an unconditional right to receive a refund, assuming the gradual settlement of the scheme liabilities over time until all members and their dependants have either died or left the scheme, in accordance with the provisions of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

With the pensioner buy-in policy purchased in June 2022, the defined benefit scheme has now insured around 50% of pensioners, under which the benefits payable to defined benefit members covered under the policy became fully insured, thus reducing the Group's exposure to changes in longevity, interest rates inflation and other relevant factors.

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2020 of the UK scheme to 31 August 2023 for *IAS 19 Employee Benefits* purposes were:

	31 August 2023 %	2 March 2023 %
Pre-April 2006 rate of increase in pensions in payment	**3.10**	3.20
Post-April 2006 rate of increase in pensions in payment	**2.10**	2.20
Pension increases in deferment	**3.10**	3.20
Discount rate	**5.30**	5.00
Inflation assumption	**3.30**	3.30

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The mortality improvements assumption has been updated to use the CMI 2021 model (2022: CMI 2020). The CMI 2021 model parameters include some weighting for 2021 mortality experience. The assumptions are that a member currently aged 65 will live on average for a further 19.7 years (March 2023: 19.7 years) if they are male and for a further 22.4 years (March 2023: 22.4 years) if they are female. For a member who retires in 2043 at age 65, the assumptions are that they will live on average for a further 20.7 years (March 2023: 20.7 years) after retirement if they are male and for a further 23.6 years (March 2023: 23.6 years) after retirement if they are female.

The assumptions in relation to discount rate, mortality and inflation have a significant effect on the measurement of scheme liabilities. The following table shows the sensitivity of the valuation of gross liabilities to changes in these assumptions:

	Decrease/(increase) in gross defined benefit liability	
	31 August 2023	2 March 2023
Discount rate		
2.00% increase to discount rate	**337.0**	357.0
2.00% decrease to discount rate	**(512.0)**	(548.0)
Inflation		
0.25% increase to inflation rate	**(36.0)**	(39.0)
0.25% decrease to inflation rate	**36.0**	38.0
Life expectancy		
One-year increase to life expectancy	**(69.0)**	(71.3)

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. Where the discount rate is changed this will have an impact on the valuation of scheme assets in the opposing direction. The above sensitivities table shows only the expected changes to the gross defined benefit obligation (liability). When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method) has been applied as when calculating the pension surplus recognised within the consolidated balance sheet. The methods and types of assumptions did not change.

12. Analysis of cash flows given in the cash flow statement

	6 months to 31 August 2023 £m	6 months to 1 September 2022 £m
Cash generated from operations		
Profit for the period	**293.2**	233.9
Adjustments for:		
Tax expense	**101.9**	73.5
Net finance costs (Note 5)	**53.9**	71.3
Share of loss from joint ventures	**0.3**	0.3
Depreciation and amortisation	**182.2**	169.1
Share-based payments	**9.3**	7.4
Net impairment reversals	**-**	(33.5)
Gains on disposals, property and other provisions (Note 4)	**(2.1)**	(2.0)
Other non-cash items	**(3.6)**	5.0
Cash generated from operations before working capital changes	**635.1**	525.0
Increase in inventories	**(0.5)**	(1.4)
Decrease in trade and other receivables	**19.8**	8.7
(Decrease)/Increase in trade and other payables	**(15.8)**	21.9
Cash generated from operations	**638.6**	554.2

Other non-cash items include an outflow of £6.1m (H1 FY23: inflow of £2.7m) as a result of net provision movements, an outflow of £0.1m (H1 FY23: inflow of £0.2m) representing bad debt charges and an inflow of £2.7m (H1 FY23: £2.0m) representing non-cash pension scheme administration costs.

13. Share capital and reserves

The Company purchased and cancelled 7.8m shares with a nominal value of £6.0m under the share buyback programme which commenced on 25 April 2023. Consideration of £263.4m together with associated fees and stamp duty of £1.3m was paid during the period. The buyback represents an irrevocable commitment and therefore the liability to purchase the remaining shares of £36.6m is recorded as a liability on the consolidated balance sheet. As at 3 October 2023, this share buyback programme was completed.

14. Related party disclosure

In Note 33 to the Annual Report and Accounts for the year ended 2 March 2023, the Group identified its related parties as its key management personnel (including directors), the Group pension schemes and its joint ventures for the purpose of *IAS 24 Related Party Disclosures*. There have been no significant changes in those related parties identified at the year end and there have been no transactions with those related parties during the six months to 31 August 2023 that have materially affected, or are expected to materially affect, the financial position or performance of the Group during this period. Details of the relevant relationships with those related parties will be disclosed in the Annual Report and Accounts for the year ending 29 February 2024. All transactions with subsidiaries are eliminated on consolidation.

15. Capital expenditure commitments

Capital expenditure commitments for which no provision has been made are set out in the table below:

	31 August 2023 £m	1 September 2022 £m	2 March 2023 £m
Property, plant and equipment	**90.6**	85.1	125.4
Intangible assets	**9.7**	11.0	7.7

16. Events after the balance sheet date

The Board of Directors approved a share buy-back on 17 October 2023 for £300.0m and is in the process of appointing the relevant brokers to undertake the programme in accordance with that approval.

INDEPENDENT REVIEW REPORT TO WHITBREAD PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31August 2023 which comprises the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes of equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 16.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
17 October 2023

Glossary

Adjusted property rent
Property rent less a proportion of contingent rent. Property rent is defined as IFRS 16 property lease interest and depreciation plus variable lease payments, adjusted for deferred rental amounts. This is used as a proxy for rent expense as recorded under IAS 17.

Basic earnings per share (Basic EPS)
Profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust ('ESOT').

Committed pipeline
Sites where we have a legal interest in a property (that may be subject to planning/other conditions) with the intention of opening a hotel in the future.

Direct bookings/distribution
Based on stayed bookings in the financial year made direct to the Premier Inn website, Premier Inn app, Premier Inn customer contact centre or hotel front desks.

Food and beverage (F&B) sales
Food and beverage revenue from all Whitbread owned restaurants and integrated hotel restaurants.

GOSH Charity
Great Ormond Street Hospital Children's Charity

IFRS
International Financial Reporting Standards.

Lease debt
Eight times adjusted property rent.

Occupancy
Number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period.

Operating profit
Profit before net finance costs and tax.

OTAs
Online Travel Agents

Rent expense
Rental costs recognised in the income statement prior to the adoption of IFRS 16.

†Alternative Performance Measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

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.

The APM titled cohort of established German hotels adjusted profit before tax is no longer reported as the Group does not see this as a useful APM going forwards. The nature of a maturity profile is such that the cohorts will evolve over time in comparison to the fixed nature of an APM meaning that there is not a consistent basis on which to report. The APM titled funds from operations is no longer reported as the Group's credit rating agency no longer utilises this measure in calculating leverage. The APM titled three-year UK like-for-like revenue growth is no longer reported as the Group's comparative period no longer contains the impact of the COVID-19 pandemic.

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
REVENUE MEASURES			
Accommodation sales	Revenue	Exclude non-room revenue such as food and beverage	Premier Inn accommodation revenue excluding non-room income such as food and beverage. The growth in accommodation sales on a year-on-year basis is a good indicator of the performance of the business. Reconciliation: Note 2
Average room rate (ARR)	No direct equivalent	Refer to definition	Accommodation sales divided by the number of rooms occupied by guests. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.
UK like-for-like revenue growth	Movement in accommodation sales per segment information (Note 2)	Accommodation sales from non like-for-like	Year over year change in revenue for outlets open for at least one year. The directors consider this to be a useful measure as it is a commonly used performance metric and provides an indication of underlying revenue trends.
Revenue per available room (RevPAR)	No direct equivalent	Refer to definition	Revenue per available room is also known as 'yield'. This hotel measure is achieved by dividing accommodation sales by the number of rooms available. The directors consider this to be a useful measure as it is a commonly used performance measure in the hotel industry.

Average room rate (ARR) reconciliation:

Reconciliation	**6 months to 31 August 2023**	6 months to 1 September 2022
UK Accommodation sales (£m)	**1,084.1**	940.0
Number of rooms occupied by guests ('000)	**12,885**	12,783
UK average room rate (£)	**84.13**	73.54
Germany Accommodation sales (£m)	**81.1**	44.5
Number of rooms occupied by guests ('000)	**1,135**	805
Germany average room rate (£)	**71.44**	55.27

UK like-for-like revenue growth reconciliation:

Reconciliation	**6 months to 31 August 2023**	6 months to 1 September 2022
UK like-for-like revenue growth	**13.3%**	93.4%
Contribution from net new hotels	**2.0%**	8.0%
UK Accommodation sales growth	**15.3%**	101.4%

Revenue per available room (RevPAR) reconciliation:

Reconciliation	**6 months to 31 August 2023**	6 months to 1 September 2022
UK Accommodation sales (£m)	**1,084.1**	940.0
Available rooms ('000)	**15,264**	15,067
UK RevPAR (£)	**71.02**	62.39
Germany Accommodation sales (£m)	**81.1**	44.5
Available rooms ('000)	**1,771**	1,268
Germany RevPAR (£)	**45.79**	35.06

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
INCOME STATEMENT MEASURES			
Adjusted[1] operating profit/loss	Profit/loss before tax	Adjusting items (Note 4)	Profit/loss before tax, finance costs/income and adjusting items Reconciliation: Consolidated income statement
Adjusted[1] tax	Tax charge/credit	Adjusting items (Note 4)	Tax charge/credit before adjusting items. Reconciliation: Consolidated income statement
Adjusted[1] profit/loss before tax	Profit/loss before tax	Adjusting items (Note 4)	Profit/loss before tax and adjusting items. Reconciliation: Consolidated income statement
Adjusted[1] basic EPS	Basic EPS	Adjusting items (Note 4)	Adjusted profit/loss attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT). Reconciliation: Note 7
Profit/PBT margin	No direct equivalent	Refer to definition	Segmental adjusted profit before tax divided by segmental adjusted revenue, to demonstrate profitability margins of the segmental operations. Reconciliation: Business review

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
BALANCE SHEET MEASURES			
Net cash/debt	Total liabilities from financing activities	Exclude lease liabilities, other financial liabilities and derivatives held to hedge financing activities	Cash and cash equivalents after deducting total borrowings. The directors consider this to be a useful measure of the financing position of the Group. Reconciliation: Note 9
Adjusted net cash/debt	Total liabilities from financing activities	Exclude lease liabilities, other financial liabilities and derivatives held to hedge financing activities, adjusted for cash assumed by ratings agencies to not be readily available	Net cash/debt adjusted for cash, assumed by ratings agencies to not be readily available, and excluding unamortised debt related fees. The measure has been amended in the year to exclude unamortised debt related fees. The directors consider this to be a useful measure as it is aligned with the method used by ratings agencies to assess the financing position of the Group.

Reconciliation	**As at 31 August 2023 £m**	As at 1 September 2022 £m
Net cash	**(67.0)**	(182.1)
Less: Unamortised debt costs	**5.7**	7.3
Restricted cash adjustment	**10.0**	10.0
Adjusted net cash	**(51.3)**	(164.8)

Unamortised debt costs of £5.7m including arrangement fees of £2.3m are included within the carrying value of borrowings.

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Lease-adjusted net debt/cash	Cash and cash equivalents less total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by ratings agencies to not be readily available	In line with methodology used by credit rating agencies, lease-adjusted net debt includes lease debt which is calculated as 8x adjusted property rent. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.

Reconciliation	**As at 31 August 2023 £m**	As at 1 September 2022 £m
Adjusted net cash	**(51.3)**	(164.8)
Lease debt	**2,580.8**	2,381.5
Lease-adjusted net debt	**2,529.5**	2,216.7

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Net debt/cash and lease liabilities	Cash and cash equivalents less total liabilities from financing activities	Refer to definition	Net debt/cash plus lease liabilities. The directors consider this to be a useful measure of the financing position of the Group.

Reconciliation	**As at 31 August 2023 £m**	As at 1 September 2022 £m
Net cash	**(67.0)**	(182.1)
Lease liabilities	**3,948.7**	3,748.8
Net cash and lease liabilities	**3,881.7**	3,566.7

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
CASH FLOW MEASURES			
Lease-adjusted net debt to adjusted EBITDAR for leverage	No direct equivalent	Refer to definition	This measure is a ratio of lease-adjusted net debt compared against the Group's adjusted EBITDAR. The Directors use this to monitor the leverage position of the Group. This measure may not be directly comparable with similarly titled measures utilised by credit rating agencies, however on a normalised basis these measures would be expected to move proportionally in the same direction.

Reconciliation	**12 months to 31 August 2023 £m**	12 Months to 1 September 2022 £m
Lease-adjusted net debt	**2,529.5**	2,216.7
Rolling 12 month adjusted EBITDAR	**1,004.3**	806.0
Lease-adjusted net debt to adjusted EBITDAR for leverage	**2.5x**	2.8x

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Adjusted[1] operating cash flow	Cash generated from in operations	Refer to definition	Adjusted operating profit/loss adding back depreciation and amortisation and after IFRS 16 interest and lease repayments and working capital movement. The directors consider this a useful measure as it is a good indicator of the cash generated which is used to fund future growth and shareholder returns, tax, pension and interest payments.

Reconciliation	**6 months to 31 August 2023 £m**	6 months to 1 September 2022 £m
Adjusted operating profit	**445.3**	343.2
Depreciation – right-of-use assets	**89.4**	80.9
Depreciation – property, plant and equipment	**83.9**	79.5
Amortisation	**8.9**	8.7
Interest paid – lease liabilities	**(75.1)**	(68.6)
Payment of principal of lease liabilities	**(73.8)**	(65.4)
Net lease incentives received	**0.4**	2.0
Movement in working capital	**3.5**	29.2
Adjusted operating cash flow	**482.5**	409.5

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Cash capital expenditure (cash capex)	No direct equivalent	Refer to definition	Cash flows on property, plant and equipment and investment property and investment in intangible assets, adding net cash proceeds on acquisitions and loans and capital contributions to joint ventures.

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
OTHER MEASURES			
Adjusted[1] EBITDA (post-IFRS 16), Adjusted[1] EBITDA (pre-IFRS 16) and Adjusted[1] EBITDAR	Operating profit/loss	Refer to definition	Adjusted EBITDA (post-IFRS 16) is profit before tax, adjusting items, interest, depreciation and amortisation. Adjusted EBITDA (pre-IFRS 16) is further adjusted to remove rent expense. Adjusted EBITDAR is profit before tax, adjusting items, interest, depreciation, amortisation, variable lease payments and rental income. The directors consider this measure to be useful as it is a commonly used industry metric which facilitate comparison between companies. The Group's RCF covenants include measures based on Adjusted EBITDA (pre-IFRS 16).

Reconciliation	**6 months to 31 August 2023 £m**	6 months to 1 September 2022 £m
Adjusted operating profit	**445.3**	343.2
Depreciation – right-of-use assets	**89.4**	80.9
Depreciation – property, plant and equipment	**83.9**	79.5
Amortisation	**8.9**	8.7
Adjusted EBITDA (post-IFRS 16)	**627.5**	512.3
Variable lease payment expense	2.1	1.1
Rental income	(1.6)	(1.7)
Adjusted EBITDAR	**628.0**	511.7
Rental expense, variable lease payments and rental income	**(143.1)**	(131.2)
Adjusted EBITDA (pre-IFRS 16)	**484.9**	380.5

Return on capital employed (ROCE)	No direct equivalent	Refer to definition	Adjusted operating profit/loss (pre-IFRS 16) for the year divided by net assets at the balance sheet date, adding back net debt/(cash), right-of-use assets, lease liabilities, taxation assets/liabilities, the pension surplus/deficit and derivative financial assets/liabilities, other financial liabilities and IFRS 16 working capital adjustments. The directors consider this to be a useful measure as it expresses the underlying operating efficiency of the Group and is used as the basis for remuneration targets.

Reconciliation

	12 months to 31 August 2023 Total £m	12 months to 31 August 2023 UK & Ireland £m	12 months to 1 September 2022 Total £m	12 months to 1 September 2022 UK & Ireland £m
Adjusted operating profit	645.6		470.0	
Depreciation – right-of-use assets	174.3		158.8	
Rent expense	(281.7)		(253.6)	
Adjusted operating profit pre-IFRS 16	**538.2**	**563.7**	375.2	410.5
Net assets	3,928.2		4,206.8	
Net cash	(67.0)		(182.1)	
Current tax liabilities	12.2		13.9	
Deferred tax liabilities	199.0		178.3	
Pension surplus	(236.4)		(429.2)	
Derivative financial assets	(1.1)		-	
Derivative financial liabilities	2.1		2.8	
Lease liabilities	3,948.7		3,748.8	
Right-of-use assets	(3,476.8)		(3,310.1)	
Other financial liabilities	36.6		-	
IAS 17 rent adjustments	(65.0)		(65.0)	
Adjusted net assets	**4,280.5**	**3,780.8**	4,164.2	3,722.1
Return on capital employed	**12.6%**	**14.9%**	9.0%	11.0%

[1] Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the Group's business either from one period to another or with similar businesses. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.