H1 profits exceed pre-pandemic levels and we remain significantly ahead of the UK market
Increased structural opportunities for growth underpinned by a strong balance sheet

Throughout this release all percentage growth comparisons are made on a three-year basis, comparing the current year (FY23) performance for the 26 weeks to 1 September 2022 to the same period in FY20 (26 weeks to 29 August 2019), with FY20 being the last financial period before the onset of the pandemic.

H1 FY23 Group Financial Summary

£m	H1 FY23	H1 FY22	H1 FY20	vs H1 FY22	vs H1 FY20
Statutory revenue[1]	1,350.4	661.6	1,084.0	*104%*	*25%*
Adjusted EBITDAR†	511.7	178.3	426.7	*187%*	*20%*
Adjusted profit / (loss) before tax† [2]	271.9	(56.6)	235.6	*580%*	*15%*
Statutory profit / (loss) before tax	307.4	(19.3)	219.9	*>1,000%*	*40%*
Statutory profit / (loss) after tax	233.9	(37.8)	172.2	*719%*	*36%*
Adjusted basic EPS†	107.0p	(26.4)p	97.1p	*505%*	*10%*
Statutory basic EPS	115.7p	(18.7)p	89.6p	*719%*	*29%*
Dividend per share	24.4p	0.0p	32.7p	*n/a*	*(25)%*
Cash and cash equivalents	1,174.8	1,144.7	804.9	30.1	369.9
Net cash / (debt)†	182.1	60.2	(77.5)	121.9	259.6
Net cash / (debt) and lease liabilities†	(3,566.7)	(3,253.4)	(2,575.1)	(313.3)	(991.6)

Overview

- Our sustained programme of investment is delivering significant market outperformance
- Statutory profit before tax above pre-pandemic levels and ahead of expectations
- A declining independent sector is increasing our growth potential in the UK and Ireland to 125,000 rooms
- In Germany, demand has recovered, we are seeing good trading momentum and are confident in reaching our long-term return on capital target of 10-14%
- Our strong balance sheet with significant asset backing is integral to the success of our operating model
- We are continuing to regularly and actively manage our capital allocation priorities to drive long-term value for our shareholders and will provide a further update at the FY23 results
- With strong current trading and positive lead indicators we remain confident in the full year outlook

Financial highlights

- Premier Inn UK: continued outperformance with total accommodation sales 25.9pp ahead of the midscale and economy ('M&E') market in H1, driven by our scale, the strength of our brand, direct distribution model, operational excellence and our winning customer proposition
- Total UK accommodation sales were 101% ahead of H1 FY22 and 35% ahead of H1 FY20
- F&B sales were 95% ahead of H1 FY22 but 5% behind pre-pandemic levels
- Premier Inn Germany: continued market recovery following the easing of restrictions in April, with our more established hotels being profitable[3] for the first time in Q2 FY23
- Statutory revenue of £1,350.4m was 104% ahead of H1 FY22 and 25% ahead of H1 FY20. Adjusted profit before tax was £271.9m, which included £24.9m of adjusted losses before tax in Germany
- Statutory profit before tax of £307.4m benefited from adjusting items, including £33.5m of net property impairment reversals (H1 FY22: £nil) and £2.0m profit from property disposals (H1 FY22: £28.6m)
- Strong balance sheet: lease adjusted leverage† reduced to 2.8x and net cash increased to £182.1m (FY22: £140.5m); pension fund surplus of £429.2m at the end of the period (FY22: £522.6m)
- Interim dividend of £49m (24.4p per share) in line with our policy, payable on 16 December 2022

1: H1 FY20 revenue includes £6.0m relating to the Costa disposal transitional service agreement.
2: H1 FY22 includes £60.0m received from the UK Coronavirus Job Retention Scheme, £28.6m of Germany Government COVID-related grants, £47.7m of UK business rates relief and £5.3m of other COVID-related support grants.
3: Adjusted profit before tax excluding non-hotel specific central costs for hotels that have been open and trading for a full 12 months as at 4 March 2022.
† signifies an alternative performance measure ('APM') – further information can be found in the glossary and reconciliation of APMs at the end of this document.

Segment highlights

Premier Inn UK

£m	H1 FY23	H1 FY22	H1 FY20	vs H1 FY22	vs H1 FY20
Statutory Revenue	1,298.0	650.6	1,074.3	*100%*	*21%*
Adjusted profit / (loss) before tax†	317.1	(17.8)	261.2	*>1,000%*	*21%*
Revenue per available room (£)†	62.39	32.13	50.19	*94%*	*24%*

Premier Inn Germany

£m	H1 FY23	H1 FY22	H1 FY20	vs H1 FY22	vs H1 FY20
Statutory Revenue	52.4	11.0	3.7	*376%*	*>1,000%*
Adjusted loss before tax†	(24.9)	(4.3)	(5.8)	*(479)%*	*(329)%*
Revenue per available room (£)†	35.06	11.69	38.61	*200%*	*(9)%*

Current trading and outlook

- Premier Inn UK: despite macroeconomic uncertainty, market demand remains robust and our strong trading performance has continued; we have a positive forward booked position and the momentum into Q3 FY23 has been in line with our YTD trend
- F&B: the UK value pub restaurant sector remains challenging and F&B sales continue to lag H1 FY20; we have launched a series of initiatives to return sales to pre-pandemic levels, although this is unlikely to be achieved in the current financial year
- Premier Inn Germany: strong trading has continued, led by our more established hotels; we now expect a reduced adjusted loss before tax of between £40m and £50m in FY23 versus £60m-£70m guided at the full year results; with c.£1bn of capital invested, we remain on course to reach break-even on a run-rate basis on the current estate during 2024 with a long-term target return on capital of 10-14%
- The combination of additional inflation in areas such as labour, utilities and F&B, together with brought forward investments in IT and marketing, will result in increased costs of £60m in FY23
- Interest on cash and pension surplus expected to reduce total interest costs by £25m in FY23
- UK margins in H2 FY23 are expected to be lower than H1 FY23 due to normal seasonality and the phasing of investment and inflationary pressures
- Network plan: following a contraction of total supply in the UK and Ireland we have increased the size of our long-term target from 110,000 to 125,000 rooms
- We remain on course to add 1,500-2,000 rooms in the UK and 2,000-2,500 rooms in Germany in FY23
- With strong current trading, a declining independent sector, and the proven resilience of our business model, we remain confident in the full year outlook

Commenting on today's results, Alison Brittain, Whitbread Chief Executive Officer, said:

"We remain focused on maintaining our position as the UK's number one hotel chain and are well on the way to replicating that success in the German market. We delivered an outstanding trading performance in the first half of the year, with revenues and profit before tax above pre-pandemic levels. Our UK hotels traded well-ahead of the market, benefiting from our 'investing to win' commercial and operational initiatives that are continuing to drive growth. We are making good progress in Germany and remain focused on realising our full potential in this large and exciting market. I am incredibly proud of the dedication of our team members who continue to deliver a fantastic service for our guests.

"The strength of our balance sheet underpins our success and has given us the confidence to continue to invest, even through the periods of great uncertainty that we have seen over the past few years. Our investment in growing our estate, our customer proposition, commercial initiatives, IT systems and Force for Good sustainability programme has meant we have been able to take advantage of improved market conditions and extend our market leading position.

"Despite macroeconomic uncertainties, our current trading performance is strong and our business has proven its resilience in previous downturns. With a robust balance sheet and significant growth potential in both the UK and Germany, we remain confident in the full year outlook and our ability to deliver long-term value for all our stakeholders."

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A webcast for investors and analysts will be made available at 8:15am on 25 October 2022 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 strength of our performance in the first half reflects the continued execution of our stated business strategy. Our longstanding programme of investment meant that the Group was well-placed to capitalise on a strong market recovery in both the UK and Germany during H1 FY23.

In the UK, consumer demand picked up significantly at the start of the year, driven by strong leisure demand and the return of business travel to pre-pandemic levels. This recovery in revenue was experienced across both the regions and London and the combination of high levels of demand, our commercial and operational initiatives, and a favourable supply backdrop, provided increased opportunities to drive RevPAR across the estate. Whilst the recovery in the hotel market provided a boost to our food and beverage ('F&B') sales, the trading conditions in the value end of the pub restaurant market remain challenging.

In Germany, COVID-related restrictions were more extensive and had remained in place for longer than many other European countries. Once restrictions were removed at the end of April 2022, the German hotel market saw strong month-on-month growth, with rising occupancy and room rates as domestic leisure and business demand increased.

Against this favourable backdrop, we continued to execute the three pillars of our business strategy, namely:

- **to grow and innovate in the UK;**
- **to grow our presence in Germany; and**
- **to enhance our capabilities to support long-term growth.**

Our strong balance sheet underpinned our confidence in continuing to invest throughout the pandemic and meant we were able to take full advantage of the favourable market conditions outlined above. We remain well-placed for the longer-term, maintaining our market leading position in the UK, progressing our plans to unlock significant future value in Germany and ensuring we deliver against our ambitious commitments set out in our Force for Good sustainability programme.

Group Results

The first half results were better than expected and total statutory revenues increased by 25% versus H1 FY20 to £1,350.4m and adjusted operating profit increased by 16% to £343.2m. This uplift reflected both the high operational leverage inherent in our business model and some timing differences on cost increases that were delayed until the second half of the year. An interest credit from the pension fund that remains in surplus (see note 13), together with higher interest rates on our cash balance, meant that adjusted profit before tax increased to £271.9m. Statutory profit before tax was £307.4m, including adjusting items of £35.5m (H1 FY22: £37.3m). No COVID-related Government support was recognised in H1 FY23 in the UK or in Germany (H1 FY22: £141.6m). Tax expense of £73.5m resulted in a statutory profit after tax of £233.9m and basic earnings per share increased by 29% versus H1 FY20 to 115.7p (H1 FY20: 89.6p).

The strong trading performance fed through into increased operational cashflow and while our continued programme of expansion and high levels of occupancy meant that total capital expenditure in the first half increased to £304.2m, total net cash increased to £182.1m, up from £140.5m at the year end.

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

Premier Inn UK - continuing to outperform the market

The strong recovery in UK accommodation sales continued during the first half, and while F&B sales remained challenging and 5% behind pre-pandemic levels, total UK revenue almost doubled to £1,298.0m (H1 FY22: £650.6m). The growth in accommodation sales was strong across London and the Regions that were both 35% ahead of H1 FY20, driven by increases in estate growth, occupancy and average room rate ('ARR'). While leisure demand remained strong during the period, as highlighted below, our efforts to attract more business customers meant that the revenue mix of leisure and business customers returned to broadly equal shares in the period.

Inflationary pressures and volume growth meant that operating costs increased in the period, however the phasing of a number of these increases towards the second half meant that profit margins recovered strongly in the first half and were broadly in line with pre-pandemic levels at 24.4% (H1 FY20: 24.3%).

Throughout the period, Premier Inn UK continued to outperform the wider M&E market with accommodation sales 25.9pp ahead of the market in H1 FY23, an increase of 13.4pp compared with the level of outperformance during the first half of FY22. This degree of outperformance was driven by our 'investing to win' strategy in combination with external factors that meant we were particularly well-positioned. Further details are provided below:

Increased scale and national coverage - We added 819 more new rooms during the period, whilst 332 rooms were closed. As at H1 FY23 there were 844 hotels and 82,773 rooms open across the UK and Ireland, meaning that we are better placed than ever to service the needs of our guests, wherever they might need to stay.

Market effects - The decline of the independent hotel sector is accelerating and having now completed our network planning exercise and our assessment of the UK market, we believe that the total volume of room supply is currently some 4% lower than it was pre-pandemic, creating a favourable market backdrop and providing increased opportunity for Premier Inn to grow market share.

Best in class operations - Premier Inn is the UK's number one hotel brand and is synonymous with high quality and good value. This market leading position is thanks to our 37,000 team members who are at the heart of our operations and we are continuing to invest in recruitment, training and also rewards for our people. Having revamped our recruitment process, we reduced the number of vacancies across our operations versus the previous year, improving our operational efficiency and helping to mitigate disruption from team shortages in what remains a tight labour market. Acutely aware of the challenging macroeconomic conditions and in recognition of the huge contribution made in the first half, we announced earlier this month an increase in pay rates for our hourly paid team members to a minimum of £10 per hour with effect from 4 November 2022. Alongside the increase in base pay, we are also providing a one-off payment of up to £300 for all eligible hourly paid and customer contact centre team members, with over 34,000 of the total UK workforce eligible for this one-off payment. These investments in our teams will result in approximately £15m of additional cost in the second half of the current financial year.

Highly effective marketing - Despite the fact that approximately 75% of all bookings made are by consumers that have stayed at Premier Inn at least once before, it is essential that we continue to drive traffic to our website through brand and digital marketing. This includes our latest 'Rest Easy' campaign (launched in September 2022) and the extension of our relationships with travel management companies ('TMCs') that are an increasing source of higher value business customers. The net result of these marketing initiatives is that we continue to drive large customer volumes directly to our website without having to give any of our inventory to online travel agents, thereby avoiding high commission costs and retaining a direct relationship with the customer.

Dynamic and proprietary pricing platform - We have continued to make excellent progress in developing and improving the performance of our proprietary and fully automated trading engine that manages all of our pricing across both the UK and Germany. Drawing upon our significant bank of historic trading and performance data, we are continuing to evolve and develop our trading strategies, introducing new capabilities to increase yield, whilst still maintaining a healthy mix of business versus leisure and short versus long lead sales.

Extended consumer choice with new pricing options and product innovation - By providing more flexible pricing options, for a modest premium to our standard room rate, our guests can secure the flexibility they might need and the majority of our guests choose flexible options. Separately, we are at an advanced stage of testing the latest iteration of our standard Premier Inn room that is achieving higher guest scores and is expected to deliver operational savings when it is rolled out during FY24. Our Premier Plus room concept is also proving popular with our guests and is able to deliver a meaningful uplift to RevPAR versus a standard room in the same hotel. As a result, we have increased the number of Premier Plus rooms across our UK estate to over 3,000 in H1 FY23 and plan to add a further 1,000 rooms by the end of the year.

Improved proposition for our business customers - As well as boosting our availability to business customers through TMCs, we have also enhanced our appeal to corporate customers through our Business Account and Business Booker portal. Business Booker provides business customers with a guaranteed discount off our headline Flex rate, thereby offering an attractive price point as well as access to a number of other tools to help them manage their employees' accommodation needs. Having revamped our sales organisation, we now have over 76,000 active Business Booker accounts in the UK and Germany. As a result of these efforts and despite strong leisure demand during the peak summer season, Business Booker customers represented approximately 8% of total accommodation sales in H1 FY23, up from 6% in H1 FY22.

Each of these factors contributed to our continued outperformance versus the wider market and our total UK accommodation sales were ahead of the rest of the M&E market by 25.9pp in the first half. As we look forward, we believe that each of these elements can and will continue to help us to remain ahead of the wider market.

UK F&B – sales remain behind pre-pandemic levels

Our F&B offer remains central to the Premier Inn guest experience and while increased occupancy fed through into increased F&B volumes from hotel guests, the value end of the UK pub and restaurant sector remains challenging as many customer segments have still not returned to their pre-pandemic spending levels. Several initiatives were launched during the first half to help boost the numbers of covers as well as spend per head in our restaurants. These included an expanded drinks offering, upgrades to a number of our gardens, enhancing the appeal of our venues with outdoor space during the summer months, as well as a number of targeted promotions. These initiatives helped to drive a marked recovery versus H1 FY22, however total F&B sales remained 5% behind H1 FY20.

Premier Inn Germany – strong market recovery and room expansion driving improved performance

Since the end of COVID-related restrictions at the end of April 2022, the M&E market in Germany has rebounded strongly with increasing occupancy and ARR driving market RevPAR back to above pre-pandemic levels. This market recovery, coupled with our commercial and operational initiatives, delivered a significant uplift in financial performance. An increase in the number of leisure events, trade fairs and business conferences, together with the growth in our estate, meant that total revenue increased significantly versus H1 FY20.

Given our pace of room openings over the past two years, the majority of our hotels have only traded restriction-free for a few months and still have some way to go before reaching maturity in terms of revenue and profit performance. However, we are achieving encouraging guest scores and reached an important milestone during the period as our cohort of 18 hotels that have been trading for more than one year turned profitable (before overheads) during the second quarter, with average occupancy of 79%, ARR of £62.02 and RevPAR of £49.07.

The delayed opening of the market and our continued investment in new openings meant that Germany as a whole delivered an adjusted loss before tax of £24.9m (H1 FY22: loss of £4.3m). We are continuing to drive top line growth through our marketing and improved pricing, as well as by seeking to drive business volumes through greater use of TMCs and our Business Booker portal. The strong trading performance since April, particularly by our more established hotels, tells us we have a product that can compete effectively in the German market. Having invested approximately £1bn to date, we remain confident that we will reach break-even at an adjusted profit before tax level on the current estate sometime during 2024, and that our long-term target return on capital of between 10-14% is achievable.

Strong balance sheet supports strategic capital allocation

At the heart of our strategy is a significant structural growth opportunity to increase the number of Premier Inn rooms in the UK, Ireland and in Germany. Our capital expenditure programme is focused on investing in new rooms, driving revenue growth initiatives and sustaining the quality of our customer proposition. Maintaining a strong balance sheet means we can continue to invest with confidence whilst also seizing opportunities which meet our strict investment return requirements.

The strong first half performance resulted in an increase in net cash to £182.1m after total capital expenditure of £304.2m (H1 FY22: £109.1m), that included the purchase of two freehold properties. Lease liabilities at the end of the period were £3.7bn. As a result, our ratio of funds from operations (‘FFO’) to lease adjusted net debt reduced to 2.8x, which is within our policy of managing to investment grade metrics of FFO to lease adjusted net debt of less than 3.7x.

Our performance during the first half demonstrates the significant benefits of capital strength in times of macroeconomic uncertainty. Having reconfirmed our investment grade status during the first half, we are focused on managing an efficient balance sheet whilst maintaining our capital discipline and driving long-term returns for our shareholders. Our capital allocation framework sets out our key priorities for the next few years, based upon future profit and cash generation under a range of potential scenarios. The key priorities include:

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

We remain focused on actively managing an appropriate balance of each of these priorities and continue to review them on a regular basis, taking into account each of factors outlined above. We will provide a further update at the time of the FY23 results.

Business strategy

Our strong balance sheet and vertically integrated business model, in conjunction with the careful execution of our business strategy, has delivered strong growth both in the UK and Germany, whilst also continuing to deliver a consistent and superior customer experience. The result has been an impressive track record, outside the pandemic, of consistent returns for our shareholders and additional benefits for our other key stakeholders.

Our strategy comprises three key pillars:

1. Continuing to grow and innovate in the UK

We are determined to maintain our leading position in the UK M&E hotel market, a position we have secured after many years of investment and diligent execution of our business strategy. With over 82,700 rooms, Premier Inn is the UK's largest hotel chain with extensive national coverage. This helps to ensure that our customer base is highly diversified between leisure (c.50%) / tradespeople (c.25%) / office workers (c.25%). However, our scale does not mean that we compromise on excellence and Premier Inn is regularly voted as the UK's best value hotel brand with a reputation for high quality, great value and excellent customer service.

The strength of the Premier Inn brand is attributable to our vertically integrated operating model. By controlling all elements of the customer experience, we can ensure that our customer proposition is delivered consistently and to a high standard. With less than 1% of bookings delivered through third party online travel agents, our direct distribution model also provides complete ownership of the customer relationship, driving substantially lower acquisition and retention costs.

To drive revenue growth, we are continuing to invest in the development of our core hotel product, offering even greater choice to our guests. Recent product developments include: the roll-out of hotel concepts such as hub by Premier Inn that has a smaller room layout and is ideally suited to city centre locations; and the conversion of more standard rooms into our popular Premier Plus format, offering additional room features such as a complimentary coffee machine and our Ultimate Wi-fi as standard. Such developments are in addition to our continuous programme of upgrades and improvements to our hotel estate, including: the roll out of our latest standard Premier Inn room that is achieving outstanding guest scores as well as the upgrade of 65,000 beds, that will both raise the overall quality of our proposition and allow us to offer interlocking units for more flexible room formats.

The M&E segment in which we operate remains highly attractive:

- **The budget branded model is structurally advantaged**: Our sector has a long history of being the highest growth segment in the hotel market. It has also proved more resilient in previous downturns and since the end of the pandemic has continued to outperform the rest of the hotel market;

- **Significant opportunities for growth:** Following completion of our latest detailed network planning exercise, we have identified an increased opportunity to develop our network in the UK and Ireland to 125,000 rooms (up from 110,000 rooms previously). In addition to our current open UK estate of over 82,700 rooms, we have a committed pipeline of 8,875 rooms and we expect to open between 2,000-3,000 new rooms each year.

- **Enhanced structural opportunities:** The independent sector has continued to decline in the aftermath of the pandemic but still represents approximately 44% of the UK market. The decline in the independent market is contributing to the overall reduction in market supply and we believe that operational challenges created by labour shortages and cost inflation may accelerate this decline further, creating additional opportunities for Premier Inn across the UK and Ireland.

2. Growing at scale in Germany

Whilst the German hotel market is approximately one third larger than the UK in terms of numbers of rooms, it is highly fragmented, with the independent hotel sector representing approximately 72% of the market in 2019. With just six hotels in March 2020, our German business has grown rapidly and now has 42 hotels, with 7,608 rooms open and a further 7,080 rooms in the pipeline. Our open and committed pipeline signals our confidence in the potential for significant growth in the German market.

As well as seeking to increase our brand awareness among consumers, we have made good progress in attracting corporate customers, further expanding our reach. With a presence in over 20 major towns and cities, our hotels are building customer loyalty and achieving good customer scores, a combination that is broadening our appeal to landlords as we seek to expand our portfolio further. Having grown our estate rapidly through both organic growth as well as acquisitions, we have invested over £1bn to-date and now have over 1,000 team members in Germany providing us with a solid platform from which we intend to grow further.

3. Enhancing our capabilities to support long term growth

Our commercial and operational focus is key to the execution of our plans and in driving our long-term success. Additional capabilities and attributes that are drivers of long-term value include:

Financial strength: With a strong first half performance and positive net cashflow, the Group's balance sheet remained in a robust position with net cash of £182.1m at the end of H1 FY23.The Group's investment grade status[1] enables access to the debt markets and ensures that the Group's cost of funding remains competitive. With a strong financial covenant, we are recognised as a highly attractive partner when being considered for leasehold and/or other transactions, both in the UK and in Germany, opening up opportunities that might otherwise be unavailable and creating a competitive advantage for the Group. Our strong balance sheet also means we can continue with our 'investing to win' programme that includes growing our estate, developing new pricing options and room products, enhancing our IT platforms and driving our marketing initiatives, all of which help to grow revenues in both the UK and Germany. Financial flexibility also allows us to complete attractive M&A deals, underpinning our planned future growth. All of these investments are subject to our rigorous capital appraisal process, one that provides strict discipline and helps us to sustain our strong track record of high returns on capital.

1 Fitch Ratings – 26 August 2022

Asset backed balance sheet: Approximately 55% of the Group's hotels are freehold with the remaining 45% operated as leasehold. Whilst this differentiates the Group from many of its competitors, such a significant freehold estate also provides the Group with:

- total control over the 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 economic downturns; and
- an additional and flexible source of funding, one that can often be available at more attractive rates than other sources of finance.

Being flexible between freehold or leasehold when approaching new property opportunities materially improves our prospects of securing the best sites in the best locations. It also makes it easier for us to optimise the size and format of our assets in order to maximise returns.

Lean and agile cost model: The scale and breadth of our estate means that we have a sizeable cost base. However, our teams are continuing to find new and alternative ways of working to improve our processes and procedures in ways that can help to reduce our costs and drive out operational efficiencies. With heightened inflationary pressures and a tight labour market, these initiatives are more important than ever and, having delivered £40m of savings in FY22, we remain on track to deliver an additional £100m of planned savings over the next three years.

Operating responsibly and sustainably: Our scale and national coverage means we have a meaningful presence across both the UK and now Germany. Recognising our responsibilities in those communities where we have a physical presence, our long-established Force for Good sustainability programme continues to drive our social and environmental agenda. Our stretching targets are embedded within our overall business strategy and hold us accountable for the change we seek to implement, whether that is reducing our environmental footprint, supporting our team members or contributing to our communities.

The execution of each of these three elements of our business strategy lies at the heart of our success and underpins our strong financial performance which has continued in the current trading period.

Current Trading - seven weeks to 20 October

Trading has remained well ahead of last year and versus FY20. Total UK sales were 23% ahead of the same period in FY20, with total accommodation sales up by 37% and representing a continued outperformance versus the wider M&E market of 24.5pp. Occupancy in the period was 85.8% (FY22: 81.3%) and average room rate was £78.15 (FY22: £66.47).

The value pub restaurant sector remains challenging and total UK food and beverage sales continue to lag pre-pandemic levels at (7.1)% vs H1 FY20. Whilst we have launched a series of initiatives to help increase sales, it is not expected that a full recovery will be achieved in the current financial year.

In Germany, our ongoing commercial initiatives coupled with a continued market recovery helped to deliver a further improvement in financial performance, led by our more established hotels. Total sales were 820% ahead of the same period in FY20 and RevPAR was £51.00 with occupancy at 65.3%.

Outlook

As evidenced by our strong current trading performance, the levels of UK demand experienced during the first half have continued into the third quarter. We still expect the seasonal reduction in leisure demand over the coming weeks and while we remain vigilant for any signs of a slowdown in demand given the heightened level of macroeconomic uncertainty, overall volumes remain strong. The early signs are that the launch of our latest 'Rest Easy' marketing campaign is proving successful and, supported by our other commercial initiatives, the early momentum into Q3 FY23 has been in line with our year-to-date trend.

Overall business demand remains robust thanks in large part to our continued investment in improving our proposition for business customers. As well as enhancing our relationships with an increasing number of TMCs, we continue to grow the number of accounts on our Business Booker portal, through which an increasing number of corporates can secure discounts to our standard rates and benefit from a range of operational tools to help them manage their corporate travel needs. Within the business segment, the split between tradespeople and white-collar workers remains broadly unchanged at approximately 25%:25%.

Despite some ongoing supply chain issues, a tight labour market and inflationary pressures across large parts of our cost base, our operating performance remains at a high level thanks to the dedication and hard work of our operational team members and those working in our support centre. We remain committed to the wellbeing of all our team members and pride ourselves on remaining an attractive employer and recognise the macroeconomic pressures facing our team and especially those on lower rates of pay. As a result, we were pleased to announce a £15m increase in pay for our team members, effective from November 2022.

In addition to labour costs, the global energy crisis and conflict in Ukraine has triggered inflationary pressures across a range cost lines that we expect will incur incremental operational expenditure in FY23 of approximately £30m. Having announced £20-30m of additional investment at the time of the Q1 results, the second half of FY23 will also be impacted by a further £15m spend on IT and marketing to help drive revenue growth in the current financial year and into FY24. The net impact of these cost increases, coupled with the usual seasonal pattern of demand in the second half, is that UK profit margins in H2 FY23 are expected to be lower than in H1 FY23. As part of our rolling programme of hedging our utility costs, for FY24 we have increased our hedged utility position from 40% to 70%, adding £20m of cost in that year.

In Germany, with further recovery in market demand and as we seek to increase our brand presence with both leisure and business customers, we expect the performance of our open hotels to improve further. Despite ongoing macroeconomic uncertainties and inflationary pressures, we now expect an adjusted loss before tax of between £40m and £50m (versus an expected loss of between £60m-£70m previously) and remain on course to reach break-even for our current estate on a run-rate basis during 2024 with a long-term target return of 10-14%.

'Investing to win' lies at the heart of our significant capital expenditure programme and given our long-term targets, we are committed to growing our estate in both the UK and Germany through a combination of organic growth as well as acquisition. Following completion of our network plan, we now expect an even greater opportunity in the UK and Ireland and have increased the size of our long-term target from 110,000 to 125,000 rooms.

Other initiatives to drive additional revenue growth include upgrades to both our IT infrastructure and reservation system that we expect will be rolled out by the end of calendar year 2023. Once complete, these investments will start to release substantial value through the delivery of additional revenue growth and cost savings. Maintaining our reputation for quality and value is a key driver of our long-term success and we remain committed to a regular programme of refurbishments, upgrades and repairs and maintenance. As a result, we expect capex spend, including the purchase of freehold properties, to be £500-£550m in FY23. In the UK, we remain on course to add 1,500-2,000 rooms this year while in Germany we expect to add 2,000-2,500 rooms. We will continue to optimise our existing estate by rationalising those sub-scale locations where returns can be improved and where opportunities allow.

With strong current trading, a continued opportunity to grow in the UK and Germany and the proven resilience of our business model in previous downturns, we remain confident in the full year outlook.

Summary of Additional Guidance FY23 and FY24

FY23 guidance was set out in our FY22 full year results and our Q1 FY23 trading update. While sales sensitivities remain unchanged, our cost guidance is updated to include the following:

UK

- Investment to drive further revenue growth: additional £15m in marketing and IT spend
- Inflation: year-on-year inflation now expected to be 10-11%, a further 1-2% increase vs FY22, equal to £30m in FY23
- Utility cost inflation: fully hedged for FY23, now 70% hedged for FY24 – additional utility inflation of £20m in FY24
- Increased pay for hourly paid team members and a one-off bonus totalling £9m plus £6m of brought forward pay rise from FY24

Germany

- FY23 loss before tax now expected to be £40m-£50m (versus £60m-70m guided previously)
- Expected cost inflation of 10-11%

Balance sheet

- Capex: £500-£550m including acquisitions already announced
- Interest on cash and pension surplus expected to reduce total interest costs by £25m in FY23

We are focused on mitigating the impact of many of these sector-wide cost headwinds through our scale, our long-standing efficiency programme, our proprietary pricing model and the benefits of both organic and inorganic growth.

A Force for Good

Whitbread's sustainability programme, Force for Good, is embedded across all business functions, ensuring that being a responsible business is integrated across our operations. It is an ambitious programme, with the overarching objective to enable everyone to live and work well. Following an incredibly difficult year in FY22, keeping our Force for Good commitments has remained central to our response and how we rebuild after the global pandemic is of great importance to us.

Following our decision to bring forward our net zero carbon target from 2050 to 2040 and a commitment to the Science Based Targets Initiative, we have progressed our validation process and are aiming for full accreditation of our carbon targets before the end of the current financial year. In line with the requirements coming out of COP26, we are in the process of creating our Transition Plan to net zero and outlining the activity and the necessary changes and timeframes for delivery in order to meet our carbon reduction commitments. This is largely focused on removing gas from our hotels and we now have electric alternatives to gas boilers in over 40 of our sites. We have begun construction of our first gasless hotel in Swindon and continue to build our hotels to the BREEAM Excellent standard and are implementing our energy efficiency programme across our estate. Our carbon reduction strategy is not limited to Scope 1 and 2 and we have also started to roll out our scope 3 target with our suppliers, gathering information on their own reduction targets and progress.

We are making good progress towards our target of cutting food waste in half by 2030 and continue our partnership with FareShare, adding to the half a million meals already donated to charity partners in support of those in need. After meeting our fundraising target of £20m for Great Ormond Street Hospital, we ran a companywide review for our next phase of charity partnership. During this period of review, we continued our fundraising activity but diverted our focus to the DEC humanitarian appeal for Ukraine, raising over £650,000 in total and supporting this by donating bedding from our hotels. Following the results of a companywide vote, GOSH were reinstated as our charity partner in 2022.

Since publishing of our first full report under the Taskforce for Climate-related Financial Disclosures ('TCFD'), we have been working on the mitigating actions and on improving our understanding and quantification of the associated climate change risks and opportunities. We have also carried out a peer review to identify best practice for our planned reporting in line with the next Annual Report.

We have continued to make good progress on bringing to life our eight Diversity and Inclusion commitments across Whitbread. We have already met our female representation target, with 41% of senior leadership positions held by women. Our four inclusion networks, enAble (disability), Gender Equality, GLOW (LGBTQ+) and Race, Religion and Cultural Heritage are now all well-established, and, alongside providing a community for our teams, are taking an active role consulting with our business on initiatives such as: listening with our Black colleagues to further understand their experience of working for Whitbread; consulting on our new concept accessible rooms (supported by the Business Disability Forum); and launching a new workplace adjustments policy and process.

We have celebrated many cultural events during H1 FY23 to support our communities and provide education to our teams. Our Pride celebrations were a particular highlight, where our sites got involved and GLOW participated in the Manchester Pride march in August with participation from our teams from across the UK and Germany. Representation continues to be important to us and we continue to be guided by our 2023 and 2026 representation targets on gender and ethnicity. Our recently released 2022 Gender and Ethnicity Pay Gap report demonstrates the action we are continuing to take as an organisation.

This year we are aiming to improve how we communicate our sustainability credentials as we believe there is a real opportunity to be recognised as a leader in our industry and we believe sustainability is becoming more important to our guests and customers. We actively engage with our stakeholders and have maintained our leading sustainability ratings with MSCI (AA) and Sustainalytics (low risk). We have started to embed ESG messages into our brand and marketing strategies through in-site activations and through our 'Rest Easy' marketing campaign. It is through these activities that we are able to drive meaningful change with the overall aim of enabling people to live and work well.

For futher information on our Force for Good programme, please visit:
https://www.whitbread.co.uk/sustainability/our-strategy-targets/.

2022 Annual General Meeting

At the Annual General Meeting on 15 June 2022, 61.56% of votes were cast in favour of the resolution to approve the 2022/23 Remuneration Report. We actively engaged with a number of our larger investors in advance of that vote and have also held a number of meetings since then to ensure we have a good understanding of investor sentiment regarding the votes cast against, as well as regarding any other governance-related issues. From our engagement, the main reasons behind the votes which were cast against were largely related to the payment of a bonus in a year when the Group received Government support. The Remuneration Committee has noted and discussed that feedback and will take it into account in the future. We are continuing to engage constructively with investors on this and other governance-related topics throughout the rest of the financial year. There has been no further government support recognised in H1 FY23 and we are not expecting to make any such claims in H2 FY23.

WHITBREAD

Business Review | Strong outperformance driving margin recovery

Premier Inn UK[1]

£m	H1 FY23	H1 FY22	H1 FY20	vs H1 FY22	vs H1 FY20
Statutory Revenue	**1,298.0**	**650.6**	**1,074.3**	***100%***	***21%***
Other income (excl rental income)²	0.0	65.3	6.6	*(100)%*	*(100)%*
Operating costs before depreciation, amortisation & rent	(770.5)	(533.2)	(633.0)	*(45)%*	*(22)%*
Adjusted EBITDAR†	**527.5**	**182.7**	**447.9**	***189%***	***18%***
Net turnover rent and rental income	0.6	1.9	0.5	*(68)%*	*20%*
Depreciation: Right-of-use asset	(65.8)	(59.8)	(50.2)	*(10)%*	*(31)%*
Depreciation and amortisation: Other	(82.8)	(82.2)	(80.0)	*(1)%*	*(4)%*
Adjusted operating profit/ (loss)†	**379.5**	**42.6**	**318.2**	***791%***	***19%***
Interest: Lease liability	(62.4)	(60.4)	(57.0)	*(3)%*	*(10)%*
Adjusted profit / (loss) before tax†	**317.1**	**(17.8)**	**261.2**	***>1,000%***	***21%***
ROCE†	11.0%	n/a	12.1%	*n/a*	*(110)bps*
PBT Margins†	24.4%	(2.7)%	24.3%	*>1,000%*	*10bps*

Premier Inn UK[1] key performance indicators

	H1 FY23	H1 FY22	H1 FY20	vs H1 FY22	vs H1 FY20
Number of hotels	844	830	810	*2%*	*4%*
Number of rooms	82,773	80,810	76,837	*2%*	*8%*
Committed pipeline (rooms)	8,875	9,814	12,928	*(10)%*	*(31)%*
Direct booking	99%	99%	98%	*0bps*	*100bps*
Occupancy	84.8%	61.0%	78.3%	*>1,000bps*	*650bps*
Average room rate†	£73.54	£52.63	£64.07	*40%*	*15%*
Revenue per available room†	£62.39	£32.13	£50.19	*94%*	*24%*
Sales growth[3]:					
Accommodation	*35%*				
Food & beverage	*(5)%*				
Total	*21%*				
Like-for-like† sales[3] growth:					
Accommodation	*24%*				
Food & beverage	*(9)%*				
Total	*13%*				

1: Includes one site in each of: Guernsey and the Isle of Man and two sites in each of: Jersey and Ireland
2: Includes UK and German Government support – see note 6 of the accompanying financial statements for further details
3: Total and like-for-like on a three-year basis versus FY20

Total statutory revenue was significantly ahead of H1 FY22 and up 21% compared to H1 FY20, with total accommodation sales up 35%. Increased leisure stays and the return of business demand helped to drive high levels of occupancy that reached 85%, a 650bps increase versus H1 FY20. The combination of strong consumer demand and a favourable supply backdrop, coupled with the benefit of our dynamic pricing model, saw ARR increase by 15% ahead of pre-pandemic levels with RevPAR increasing to £62.39 in H1 FY23.

Premier Inn remained ahead of the M&E market throughout the period, consolidating our strong market position and demonstrating the strengths of our scale, brand, direct distribution model and our winning customer proposition. With our continued programme of ‘investing to win’ we remain confident of being able to sustain our outperformance versus the rest of the market.

UK performance vs M&E market

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 to Date
PI accommodation sales performance (vs FY20)[1]	+10.0pp	+14.7pp	+16.1pp	+19.0pp	+26.6pp	+25.4pp	+24.5.pp
PI occupancy performance (vs FY20)[2]	10.0%	11.7%	8.6%	9.8%	11.5%	11.4%	9.0%
PI ARR performance (vs FY20)[3]	(0.9)%	(4.6)%	(3.6)%	(3.5)%	(2.7)%	(3.8%)	(1.1)%
PI market share[4]	13.9%	10.5%	13.9.%	9.4%	9.5%	8.9%	8.7%
PI market share gains pp (vs FY20)[4]	6.4pp	3.4pp	6.4pp	2.2pp	2.0pp	1.8pp	1.6pp

1: STR data, full inventory basis, Premier Inn accommodation revenue, 26 February 2021 to 13 October 2022, M&E excludes Premier Inn
2: STR data, full inventory basis, Premier Inn occupancy, 26 February 2021 to 13 October 2022, M&E excludes Premier Inn
3: STR data, full inventory basis, Premier Inn ARR, 26 February 2021 to 13 October 2022, M&E excludes Premier Inn
4: STR data, revenue share of total UK market, 26 February 2021 to 13 October 2022

Total F&B sales were well ahead of H1 FY22 but 5% behind H1 FY20 demonstrating the challenges faced by the UK value pub restaurant sector. Whilst we have launched a series of initiatives to help return sales to pre-pandemic levels, it is not expected that this will be achieved in the current financial year.

Other income in H1 FY23 was £nil with no income being recognised for COVID-related Government support in the UK in the period. In H1 FY22, other income of £65.3m reflected £60.0m benefit from the Coronavirus Job Retention Scheme.

Operating costs of £770.5m were 45% higher than H1 FY22 driven by revenue-related variable costs, inflation (especially in the areas of labour, F&B and utilities), estate growth and the absence of any benefit received in relation to the Government's business rates holiday (H1 FY22: £47.7m).

Right-of-use asset depreciation was £65.8m and lease liability interest was £62.4m. Five new hotels and an extension were opened during the half, totalling 819 rooms and two hotels were closed, totalling 332 rooms, as the Group continues to optimise its estate when suitable opportunities arise. At the end of the period, the total estate stood at 844 hotels with a total of 82,773 rooms. With a committed pipeline of 8,875 rooms, we remain confident in our ability to take further market share over the medium to long-term.

Adjusted profit before tax in the UK was £317.1m reflecting the significant increase in statutory revenues versus H1 FY22 and a delay to some cost increases that are now expected to fall into the second half. As a result, pre-tax profit margins increased to 24.4%, in line with the 24.3% level achieved in H1 FY20.

Premier Inn Germany

£m	H1 FY23	H1 FY22	H1 FY20	vs H1 FY22	vs H1 FY20
Statutory revenue	**52.4**	**11.0**	**3.7**	***376%***	***>1,000%***
Other income (excl. rental income)[1]	0.0	28.2	0.0	*(100)%*	*0%*
Operating costs before depreciation, amortisation and rent	(50.6)	(28.0)	(8.9)	*(81)%*	*(469)%*
Adjusted EBITDAR†	**1.8**	**11.2**	**(5.2)**	***(84)%***	***135%***
Net turnover rent and rental income	0.0	2.3	0.0	*(100)%*	*0%*
Depreciation: Right-of-use asset	(15.1)	(10.4)	(0.1)	*(45)%*	*(>1,000)%*
Depreciation and amortisation: Other	(5.4)	(3.6)	(0.5)	*(50)%*	*(980)%*
Adjusted operating loss†	**(18.7)**	**(0.5)**	**(5.8)**	***(>1,000)%***	***(222)%***
Interest: Lease liability	(6.2)	(3.8)	0.0	*(63)%*	*n/a*
Adjusted loss before tax†	**(24.9)**	**(4.3)**	**(5.8)**	***(479)%***	***(329)%***

Premier Inn Germany key performance indicators

	H1 FY23	H1 FY22	H1 FY20	vs H1 FY22	vs H1 FY20
Number of hotels	42	30	3	*40%*	*>1,000%*
Number of rooms	7,608	4,927	589	*54%*	*>1,000%*
Committed pipeline (rooms)	7,080	8,578	7,280	*(18)%*	*(3)%*
Direct bookings	94%	97%	100%	*(300)bps*	*(600)bps*
Occupancy	63.4%	32.0%	60.2%	*980bps*	*320bps*
Average room rate†	£55.27	£36.49	£64.15	*52%*	*(14)%*
Revenue per available room†	£35.06	£11.69	£38.61	*200%*	*(9)%*
Sales growth[2]:					
Accommodation	*>1,000%*				
Food & beverage	*>1,000%*				
Total	*>1,000%*				
Like-for-like† sales[2] growth:					
Accommodation	*46%*				
Food & beverage	*18%*				
Total	*41%*				

1: Includes UK and German Government support – see note 6 of the accompanying financial statements for further details
2: Total and like-for-like on a three-year basis versus FY20

Total statutory revenue in Germany was significantly ahead of H1 FY20, reflecting the material growth in our hotel estate and a strong market recovery. During the half we opened seven hotels including hotels in Berlin and Stuttgart, ending the period with 42 hotels and 7,608 rooms open (H1 FY20: three hotels open and 589 rooms). The removal of COVID-related restrictions at the end of April 2022 prompted a significant uplift in demand and in the second quarter (Jun-Aug), total sales were 376% ahead of the comparable period in H1 FY22, reflecting strong growth in both leisure and business demand and the increased size of our estate.

Other income in H1 FY23 was £nil with no income being recognised for COVID-related Government support in Germany in the period. In H1 FY22 other income of £28.2m reflected £28.0m benefit from COVID-related grants from the German Government.

Operating costs increased by £22.6m versus H1 FY22 driven by the ongoing expansion of our hotel estate and our continued investment in a range of commercial initiatives. We are continuing to seek ways to refine our operating model with a view to reducing costs without compromising our ability to capture significant revenue growth. Right-of-use asset depreciation costs increased by £4.7m to £15.1m, reflecting the fact that the majority of new opened properties are leasehold. Other depreciation and amortisation costs were £5.4m and lease liability interest costs were £6.2m.

While the net result was that Germany produced an adjusted loss before tax of £24.9m for the period, this reflects estate growth and continued COVID-related restrictions until the end of April and masks a particularly strong performance from our more established hotels that, taken together, became profitable (before overheads) in Q2 FY23.

Central and other costs

£m	H1 FY23	H1 FY22	H1 FY20	vs H1 FY22	vs H1 FY20
Operating costs before depreciation, amortisation and rent	(17.3)	(14.6)	(13.7)	*(19)%*	*(26)%*
Share of loss from joint ventures	(0.3)	(1.0)	(2.3)	*70%*	*87%*
Adjusted operating loss†	**(17.6)**	**(15.6)**	**(16.0)**	***(13)%***	***(10)%***
Net finance costs	(2.7)	(18.9)	(3.8)	*86%*	*29%*
Adjusted loss before tax†	**(20.3)**	**(34.5)**	**(19.8)**	***41%***	***(3)%***

Central operating costs of £17.3m were £2.7m higher than H1 FY22 primarily driven by consultancy-related costs. Net finance costs decreased by £16.2m to £2.7m versus H1 FY22 reflecting £6.1m interest receivable on the Group's cash balance (H1 FY22: £0.1m) and £6.8m of IAS 19 pension finance income (H1 FY22: £1.8m).

Financial review

Financial highlights

£m	H1 FY23	H1 FY22	H1 FY20	vs H1 FY22	vs H1 FY20
Statutory revenue	**1,350.4**	**661.6**	**1,084.0**	***104%***	***25%***
Transitional service agreement revenue	0.0	0.0	6.0	*0%*	*(100)%*
Adjusted revenue†	**1,350.4**	**661.6**	**1,078.0**	***104%***	***25%***
Other income (excl rental income)[1]	0.0	93.5	6.6	*(100)%*	*(100)%*
Operating costs before depreciation, amortisation and rent	(838.7)	(576.8)	(657.9)	*(45)%*	*(28)%*
Adjusted EBITDAR†	**511.7**	**178.3**	**426.7**	**187%**	***20%***
Net turnover rent and rental income	0.6	4.2	0.5	*(86)%*	*20%*
Depreciation: Right-of-use asset	(80.9)	(70.2)	(50.3)	*(15)%*	*(61)%*
Depreciation and amortisation: Other	(88.2)	(85.8)	(80.5)	*(3)%*	*(10)%*
Adjusted operating profit / (loss)†	**343.2**	**26.5**	**296.4**	***>1,000%***	***16%***
Net finance costs (excl. lease liability interest)	(2.7)	(18.9)	(3.8)	*86%*	*29%*
Interest: Lease liability	(68.6)	(64.2)	(57.0)	*(7)%*	*(20)%*
Adjusted profit / (loss) before tax†	**271.9**	**(56.6)**	**235.6**	***580%***	***15%***
Adjusting items	35.5	37.3	(15.7)	*(5)%*	*326%*
Statutory profit / (loss) before tax	**307.4**	**(19.3)**	**219.9**	***>1,000%***	***40%***
Tax expense	(73.5)	(18.5)	(47.7)	*(297)%*	*(54)%*
Statutory profit / (loss) after tax	**233.9**	**(37.8)**	**172.2**	***719%***	***36%***

1: Includes UK and German Government support – see note 6 of the accompanying financial statements for further details

Statutory revenue

Statutory revenues were up 25% compared to H1 FY20, driven by estate growth and the business continuing to trade ahead of the M&E market in the UK.

Adjusted EBITDAR

Other income was £nil in H1 FY23 (H1 FY22: £93.5m) as the Group made no further claims for COVID-related Government support in the UK or in Germany (H1 FY22: £93.3m). Operating costs of £838.7m were £261.9m higher than H1 FY22, driven by an increase in revenue related variable costs, estate growth, cost inflation and the fact that no benefit was received in relation to the UK Government's business rates holiday (H1 FY22: £47.7m). Adjusted EBITDAR of £511.7m was up £333.4m versus H1 FY22 reflecting strong trading and the absence of COVID-related restrictions in the UK.

Adjusted operating profit

The leasehold estate in the UK grew by net four hotels and by six hotels in Germany compared to the same period in FY22. This resulted in a £10.7m increase in right-of-use depreciation charges to £80.9m. Other depreciation and amortisation charges increased by £2.4m to £88.2m, driven by new hotel openings. The strong trading performance meant that, even after increased losses in Germany totalling £18.7m, adjusted operating profit increased to £343.2m compared to profit of £26.5m in H1 FY22 and a profit of £296.4m in H1 FY20.

Net finance costs

Net finance costs (excluding lease liability interest) were £2.7m compared to £18.9m in H1 FY22. This decrease of £16.2m was driven by increased interest receivable of £6.1m on the Group's cash balances reflecting higher interest rates and an interest credit of £6.8m from the pension fund that remains in surplus.

Lease liability interest of £68.6m was £4.4m above H1 FY22 primarily driven by the opening of four leasehold hotels in the UK and six in Germany.

Adjusting items

Total adjusting items were £35.5m and include a £10.6m impairment charge relating to standalone restaurants and other charges totalling £2.3m that together were offset by an impairment reversal of £47.8m. The original impairment to which the reversal relates was made in FY21 and comprised a £109.2m charge to property, plant and equipment and right of use assets, as a result of the pandemic. Subsequent impairment reviews, reflecting the improved outlook for the Group, have resulted in a proportion of the FY21 charge being reversed. A net £42.0m impairment reversal was recognised in FY22.

On 7 March 2022, the Group disposed of a property in Marylebone as part of a property transaction, receiving gross proceeds of £46.4m. A profit on disposal of £1.4m was recognised on disposal of the property. During the period, the Group has recorded profits on three other property disposals of £0.6m.

H1 FY22 adjusting items included the disposal of a hotel in Putney as part of a sale and leaseback transaction for gross proceeds of £40.0m. A profit on disposal of £27.5m was recognised on disposal of the property. During the same period, the Group recognised profits on other property disposals of £1.1m.

Taxation

The tax charge on the profit before adjusting items of £55.5m (H1 FY22: £3.2m tax credit) represents an effective tax rate on the profit before adjusting items of 20% (H1 FY22: 6%). This is higher than the UK statutory corporate tax rate of 19%, primarily due to the impact of overseas tax losses for which no deferred tax has been recognised.

The statutory tax charge for the period of £73.5m (H1 FY22: £18.5m tax charge) represents an effective tax rate of 24% (H1 FY22: (96%). This effective tax rate is driven by the impact of overseas losses not recognised as well as the tax impact of certain adjusting items, primarily relating to the effect of the in-year UK rate differential and gains on property disposals.

Statutory profit after tax

Statutory profit after tax for the period was £233.9m in H1 FY23, compared to a loss of £37.8m in H1 FY22, which was impacted by COVID-related restrictions.

Earnings per share

	H1 FY23	H1 FY22	H1 FY20[1]	vs H1 FY22	vs H1 FY20
Adjusted basic profit / earnings per share†	107.0p	(26.4)p	97.1p	*505%*	*10%*
Statutory basic profit / earnings per share	115.7p	(18.7)p	89.6p	*719%*	*29%*

1: Restated to include the impact of the Rights Issue completed in June 2020

Adjusted basic profit per share of 107.0p and statutory basic profit per share of 115.7p reflect the adjusted and statutory profits reported in the period.

Dividend

The Board has declared an interim dividend of 24.4 pence per share, reflecting the Group's performance in the first half, its strong balance sheet, encouraging current trading and confidence in the full year outlook. This will result in a total interim dividend payment of £49m. The interim dividend will be paid on 16 December 2022 to all shareholders on the register at the close of business on 11 November 2022. Shareholders will again 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 9 to the accompanying financial statements.

Cashflow

£m	H1 FY23	H1 FY22
Adjusted EBITDAR†	**511.7**	**178.3**
Change in working capital	29.2	112.5
Net turnover rent and rental income	0.6	4.2
IFRS 16 interest and principal lease payments	(132.0)	(134.8)
Operating cashflow†	**409.5**	**160.2**
Interest (excl. IFRS 16)	(16.0)	(4.3)
Corporate taxes	(6.5)	(0.1)
Pension	(2.4)	(2.3)
Capital expenditure: maintenance	(81.8)	(42.7)
Capital expenditure: expansionary[1]	(222.4)	(66.4)
Disposal Proceeds	55.5	47.8
Non-cash other	12.7	23.3
Other	(4.4)	(8.8)
Cashflow before shareholder returns / receipts and debt repayments	**144.2**	**106.7**
Dividend	**(70.1)**	0.0
Shares purchased for Employee Share Ownership Trust ('ESOT')	(32.5)	(0.0)
Repayment of long-term borrowings	(0.0)	(220.4)
Net cashflow	**41.6**	**(113.7)**
Opening net cash/(debt)†	140.5	(46.5)
Repayment of long-term borrowings	0.0	220.4
Closing net cash†	**182.1**	**60.2**

1: H1 FY23 includes £nil loans advanced to joint ventures, £6.4m payment of contingent consideration and £nil capital contributions to joint ventures; (H1 FY22 includes £0.8m loans advanced to joint ventures, £0.5m payment of contingent consideration and £1.4m capital contributions to joint ventures)

The strong trading performance delivered a 187% increase in adjusted EBITDAR to £511.7m (H1 FY22: £178.3m) and operating cashflow more than doubled to £409.5m. This funded an increase in expansionary and maintenance capital expenditure with the result that total net cashflow before shareholder returns and debt repayments was an inflow of £144.2m, compared to an inflow of £106.7m in the same period last year.

The £29.2m working capital inflow was driven by an increase in trade creditors, accruals and customer deposits as a result of the strong trading performance as well as cash received in relation to German Government COVID-related Government support payments for costs incurred from July 2021 to January 2022.

Corporation taxes outflow of £6.5m reflects the Group's return to profitability and a £6.4m payment on account for the FY23 UK corporation tax liability. It also includes £0.1m in respect of taxes in Germany.

Maintenance capital expenditure was £81.0m and expansionary capital expenditure was £223.2m which included the purchase of two freehold properties. Full year spend is expected to be between c.£500-£550m, which is in line with previous guidance, but adjusting for the acquisition of the two freehold sites. Lease liability interest and lease repayments decreased by £2.8m to £132.0m as H1 FY22 included the deferral of the December 2021 quarterly rent payment.

The £12.7m of other non-cash items includes inflows relating to share-based payments of £7.4m (H1 FY22: £6.3m), £2.7m as a result of net provision movements (H1 FY22: £5.0m) and £2.0m (H1 FY22: £1.4m) representing non-cash pension scheme administration costs. Disposal proceeds of £55.5m include £46.4m relating to a property transaction in Marylebone and the disposal of three hotels as the Group continues to optimise its estate when suitable opportunities arise.

Following the recommencement of dividend payments at the full year, the Board recommended a final dividend of 34.7 pence per share on 27 April 2022. This resulted in a dividend payment of £70.1m paid on 1 July 2022. During the period, 0.5m shares were purchased by the Group's independently managed Employee Share Ownership Trust ('ESOT') for consideration of £12.3m. Subsequent to the year end, a further 0.8m shares were purchased. The total anticipated consideration for these shares of £32.5m and is included within the cashflow statement for the period. Post the balance sheet date, £0.8m was returned to the Group leaving a final consideration of £31.7m.

Net cash at the end of the period was £182.1m.

Debt funding facilities & liquidity

£m	Facility	Utilised	Maturity
Revolving Credit Facility	(775.0)	-	2027
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		1,174.8	
***Total facilities utilised, net of cash*[1]**		**174.8**	
***Net cash*†**		***182.1***	
***Net cash and lease liabilities*†**		**(3,566.7)**	

1: Excludes unamortised fees associated with debt instrument

The Group received confirmation of its investment grade status on 26 August 2022 and aims to manage to investment grade metrics of lease adjusted net debt of less than 3.7x[1] funds from operations† over the medium term. During the first half, the Group returned to below this level and as at the end of H1 FY23 the ratio was 2.8x.

1: This measure has been changed to align to Fitch methodology post IFRS 16 and has reset the leverage target to 3.7x lease adjusted net debt : FFO (previously 3.5x)

Revolving Credit Facility

During the first half, the Group entered into a new £775m revolving credit facility ('RCF'), replacing the previous £850m facility that was due to expire in September 2023. The new five-year facility, with two one-year extension options, is a multi-currency revolving credit facility and is provided by a syndicate of seven banks led by Banco Santander, Barclays, NatWest and Bank of China. The RCF has variable interest rates with GBP linked to SONIA and EUR being linked to EURIBOR.

Capital investment

£m	H1 FY23	H1 FY22
UK maintenance and product improvement	81.0	41.9
New / extended UK hotels[1]	181.5	37.3
Germany and Middle East[2]	41.7	29.9
Total	304.2	109.1

1: H1 FY23 includes £nil, H1 FY22 includes £0.8m capital contributions to joint ventures
2: H1 FY23 includes £6.4m payment of contingent consideration, H1 FY22 includes £0.5m payment of contingent consideration and £1.4m capital contributions to joint ventures

Total capital expenditure in H1 FY23 was £304.2m. UK expenditure included £181.5m on developing new sites and the purchase of two freehold properties. Maintenance and product improvement spend was focused on the scale-up of the FY23 refurbishment programme with further refurbishments planned for the quieter trading period during H2 FY23. In Germany, spend was driven by the development of our committed pipeline including sites in Berlin Airport and Duisburg. As a result, total capital expenditure in FY23 is expected to be between £500m and £550m.

Property, plant and equipment of £4,466m was ahead of H1 FY22 (£4,240m), 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	58%:42%	55%:45%
Premier Inn Germany	24%:76%	22%:78%
Group	55%:45%	50%:50%

1: Open plus committed pipeline

The current UK estate is 58% freehold and 42% leasehold, a mix that will change to 55% freehold and 45% leasehold as the existing pipeline is brought on stream. 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 £3,310m (H1 FY22: £2,819m) and lease liabilities increasing to £3,749m (H1 FY22: £3,314m).

Return on Capital – Premier Inn UK

Returns	H1 FY23	H1 FY22	H1 FY20
UK ROCE†	11.0%	n/a	12.1%

We remain confident in being able to deliver long-term sustainable returns on incremental investment. We believe our ability to capitalise on the significant structural opportunities in both the UK and Germany, given our competitive advantage and ongoing commercial initiatives, mean we are well-placed to take market share. Sector-wide cost headwinds can be mitigated by the combination of our long-standing efficiency programme, our dynamic pricing model and the benefits of both organic and inorganic growth.

Events After the Balance Sheet Date

On 19 October 2022 the Group signed an agreement, subject to various conditions, to acquire a portfolio of six hotels, including five leasehold operations in Germany and one freehold hotel in Austria. The purchase price is €32.6m including real estate transfer tax. The deal is due to complete before the end of the year. On completion the impact of IFRS 16 on the leases acquired will be assessed.

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the 'Pension Fund'), had an IAS19 Employee Benefits surplus of £429.2m at the end of the period (H1 FY22: £275.5m). The improved funding position was primarily driven by an increase in corporate bond yields resulting in an increase in the discount rate. Aligning the discount rate methodology to reflect common market practice has also contributed to the improved position. This was partially offset by asset performance being lower than the discount rate and higher than expected inflation over the year. During the period, the Pension Fund became fully funded on the Secondary Funding Target basis, following which the Trustee has reduced the investment risk which was in line with the de-risking journey agreed between the Trustee and Whitbread. There has been further risk reduction as a result of the Trustee entering into a £660m buy-in with Standard Life. There are currently no deficit reduction contributions being paid to the Pension Fund, however annual contributions of approximately £10m continue to paid to the Fund through the Scottish Partnership arrangements. The Trustee holds security over £531.5m 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.

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 2021/22 remain relevant for the remaining half of the financial year, when read together with the information provided below.

The overall risk environment continues to be uncertain with global economic, political and environmental events making it increasingly challenging to monitor and identify emerging risks ahead of time. The Group's risks have a high degree of inter-connectivity which amplifies any movements in specific areas such as supply chain issues or labour challenges resulting in inflationary pressures. The most significant risk currently is the economic outlook, including geopolitical risks and the resulting impact on inflation across key costs and also on consumer confidence. The pandemic continues to be a significant risk due to the uncertainty of how any future restrictions might impact the hospitality industry. We also remain vigilant surrounding cyber risk with recent incidents in the hospitality sector highlighting the need to maintain its importance.

We recognise the increasing risk to our supply chain and third-party resilience due to macroeconomic pressures and the increase in risk from our technology-led business change. In contrast, we are more positive about the structural shifts and potential impacts on consumer demand from business related travel supported by our current trading performance and the strength of forward bookings.

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 macroeconomic 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;
- Pandemic – uncertainty as to how future variants and outbreaks, vaccine efficacy and resulting restrictions will continue to impact the hospitality sector;
- Cyber and data security – reduces the effectiveness of systems or results in loss of data;
- Germany growth – the inability to successfully execute our strategy in Germany;
- Change delivery and interdependencies – ability to execute the significant volume of change under time bound pressures, for example, the replacement of legacy systems;
- Leadership, succession and talent retention – decline in desirability of careers in the hospitality industry with functional specific challenges, a reduction in our talent pools and low levels of senior diversity;
- Third party arrangements and supply chain – business interruption as a result of the withdrawal of services below acceptable standards or reputational damage as a result of unethical supplier practices;
- Structural shifts impacting demand – changes to working practices, reduced international travel and demand-led occasions for hotel stays along with potential new disruptors entering the market driving a decline in brand strength and 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 our ability to deliver on our commitments.

Our 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 58 to 60 of the 2021/22 Annual Report and Accounts 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 Deutsche Bank 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 earnings per share, net debt, net debt and lease liabilities, 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

Alison Brittain	Hemant Patel
Chief Executive	Chief Financial Officer

Interim consolidated income statement

		(Reviewed) 6 months to 1 September 2022			(Reviewed) 6 months to 26 August 2021		
	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	**1,350.4**	**-**	**1,350.4**	661.6	-	661.6
Other income	3	**1.7**	**-**	**1.7**	97.8	8.7	106.5
Operating costs		**(1,008.6)**	**35.5**	**(973.1)**	(731.1)	28.6	(702.5)
Impairment of loans to joint ventures		**-**	**-**	**-**	(0.8)	-	(0.8)
Operating profit before joint ventures		**343.5**	**35.5**	**379.0**	27.5	37.3	64.8
Share of loss from joint ventures		**(0.3)**	**-**	**(0.3)**	(1.0)	-	(1.0)
Operating profit		**343.2**	**35.5**	**378.7**	26.5	37.3	63.8
Finance costs	5	**(84.2)**	**-**	**(84.2)**	(85.1)	-	(85.1)
Finance income	5	**12.9**	**-**	**12.9**	2.0	-	2.0
Profit/(loss) before tax		**271.9**	**35.5**	**307.4**	(56.6)	37.3	(19.3)
Tax (expense)/credit	7	**(55.5)**	**(18.0)**	**(73.5)**	3.2	(21.7)	(18.5)
Profit/(loss) for the period attributable to parent shareholders		**216.4**	**17.5**	**233.9**	(53.4)	15.6	(37.8)
Earnings per share (Note 8)							
Basic (pence)		**107.0**	**8.7**	**115.7**	(26.4)	7.7	(18.7)
Diluted (pence)		**106.4**	**8.6**	**115.0**	(26.4)	7.7	(18.7)

All of the results shown above relate to continuing operations.

Interim consolidated statement of comprehensive income

	Notes	**(Reviewed) 6 months to 1 September 2022 £m**	(Reviewed) 6 months to 26 August 2021 £m
Profit/(loss) for the period		**233.9**	(37.8)
Items that will not be reclassified to the income statement:			
Remeasurement (loss)/gain on defined benefit pension scheme	13	**(100.6)**	84.8
Current tax on defined benefit pension scheme		**0.3**	(1.9)
Deferred tax on defined benefit pension scheme		**24.8**	(29.5)
		(75.5)	53.4
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges		**-**	1.2
Deferred tax on cash flow hedges		**-**	(0.3)
Net (loss)/gain on hedge of a net investment		**(21.4)**	0.7
Deferred tax on net (loss)/gain on hedge of a net investment		**2.5**	(0.1)
Cost of hedging		**0.5**	2.8
		(18.4)	4.3
Exchange differences on translation of foreign operations		**24.6**	(2.8)
Deferred tax on exchange differences on translation of foreign operations		**(2.1)**	0.7
		22.5	(2.1)
Other comprehensive (loss)/income for the period, net of tax		**(71.4)**	55.6
Total comprehensive income for the period, net of tax		**162.5**	17.8

Interim consolidated statement of changes in equity

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 15)	**-**	**-**	**-**	**-**	**-**	**(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**

6 months to 26 August 2021 (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 25 February 2021	164.7	1,022.9	50.2	4,944.8	28.7	(2,377.2)	3,834.1
Loss for the period	-	-	-	(37.8)	-	-	(37.8)
Other comprehensive income/(loss)	-	-	-	53.4	(1.5)	3.7	55.6
Total comprehensive income/(loss)	-	-	-	15.6	(1.5)	3.7	17.8
Ordinary shares issued on exercise of employee share options	0.1	1.6	-	-	-	-	1.7
Loss on ESOT shares issued	-	-	-	(2.5)	-	2.5	-
Accrued share-based payments	-	-	-	6.3	-	-	6.3
Tax on share-based payments	-	-	-	(0.2)	-	-	(0.2)
At 26 August 2021	164.8	1,024.5	50.2	4,964.0	27.2	(2,371.0)	3,859.7

Interim consolidated balance sheet

	Notes	**(Reviewed) 1 September 2022 £m**	(Reviewed) 26 August 2021 £m	(Audited) 3 March 2022 £m
Non-current assets				
Goodwill and other intangible assets		**165.9**	154.7	159.3
Right-of-use assets – property, plant and equipment		**3,310.1**	2,818.5	3,267.6
Right-of-use assets – investment property		**-**	62.6	-
Property, plant and equipment		**4,465.8**	4,239.7	4,227.1
Investment in joint ventures		**47.2**	38.7	41.1
Derivative financial instruments	12	**-**	11.0	15.8
Defined benefit pension surplus	13	**429.2**	275.5	522.6
		8,418.2	7,600.7	8,233.5
Current assets				
Inventories		**20.8**	14.8	19.4
Derivative financial instruments	12	**-**	9.9	-
Current tax asset		**-**	0.4	-
Trade and other receivables		**138.2**	120.4	116.4
Cash and cash equivalents		**1,174.8**	1,144.7	1,132.4
		1,333.8	1,290.2	1,268.2
Assets classified as held for sale		**5.8**	11.8	64.8
Total assets		**9,757.8**	8,902.7	9,566.5
Current liabilities				
Borrowings	10	**-**	93.3	-
Lease liabilities		**138.8**	122.4	129.3
Provisions		**24.6**	23.5	19.6
Derivative financial instruments	12	**-**	1.2	-
Current tax liabilities		**13.9**	-	-
Trade and other payables		**578.5**	482.9	570.7
		755.8	723.3	719.6
Non-current liabilities				
Borrowings	10	**992.7**	991.2	991.9
Lease liabilities		**3,610.0**	3,191.2	3,572.5
Provisions		**10.1**	15.7	11.7
Derivative financial instruments	12	**2.8**	-	-
Deferred tax liabilities	7	**178.3**	96.5	150.6
Trade and other payables		**1.3**	25.1	1.2
		4,795.2	4,319.7	4,727.9
Total liabilities		**5,551.0**	5,043.0	5,447.5
Net assets		**4,206.8**	3,859.7	4,119.0
Equity				
Share capital		**164.8**	164.8	164.8
Share premium		**1,025.0**	1,024.5	1,024.7
Capital redemption reserve		**50.2**	50.2	50.2
Retained earnings		**5,319.1**	4,964.0	5,225.3
Currency translation reserve		**28.4**	27.2	24.3
Other reserves		**(2,380.7)**	(2,371.0)	(2,370.3)
Total equity		**4,206.8**	3,859.7	4,119.0

Interim consolidated cash flow statement

	Notes	(Reviewed) 6 months to 1 September 2022 £m	(Reviewed) 6 months to 26 August 2021 £m
Cash generated from operations	14	**554.2**	318.3
Payments against provisions		**(1.0)**	(8.0)
Pension payments	13	**(2.4)**	(2.3)
Interest paid - lease liabilities		**(68.6)**	(64.2)
Interest paid - other		**(21.4)**	(5.8)
Interest received		**5.4**	1.5
Corporation taxes paid		**(6.5)**	(0.1)
Net cash flows generated from operating activities		**459.7**	239.4
Cash flows used in investing activities			
Purchase of property, plant and equipment and investment property		**(282.6)**	(100.2)
Proceeds from disposal of property, plant and equipment		**55.5**	47.8
Investment in intangible assets		**(15.2)**	(6.2)
Payment of deferred and contingent consideration	12	**(6.4)**	(0.5)
Capital contributions to joint ventures		**-**	(1.4)
Loans advanced to joint ventures		**-**	(0.8)
Net cash flows used in investing activities		**(248.7)**	(61.3)
Cash flows used in financing activities			
Proceeds from issue of shares on exercise of employee share options		**0.3**	1.7
Drawdowns of long-term borrowings		**-**	50.0
Repayments of long-term borrowings		**-**	(270.4)
Payment of facility fees		**(4.0)**	-
Lease incentives received		**2.0**	-
Payment of principal of lease liabilities		**(65.4)**	(70.6)
Purchase of own shares for ESOT	15	**(32.5)**	-
Dividends paid		**(70.1)**	-
Net cash flows used in financing activities		**(169.7)**	(289.3)
Net increase/(decrease) in cash and cash equivalents		**41.3**	(111.2)
Opening cash and cash equivalents		**1,132.4**	1,256.0
Foreign exchange differences		**1.1**	(0.1)
Closing cash and cash equivalents		**1,174.8**	1,144.7

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 24 October 2022.

The financial information for the year ended 3 March 2022 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 1 September 2022 and the comparatives to 26 August 2021 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 3 March 2022.

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:

- gross costs and income associated with the strategic programme in relation to the review of the Whitbread 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 or 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;
- 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 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.

Sale and leaseback
A sale and leaseback transaction occurs when the Group sells an asset and immediately reacquires the use of that asset by entering into a lease with the counterparty. A sale occurs when control of the underlying asset passes to the counterparty. A lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right-of-use asset is recognised at the proportion of the carrying value relating to the right retained. The resulting gain or loss arising therefore relates to the rights transferred to the counterparty and development of the underlying asset.

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 3 March 2022.

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.

Further details on the indicators of impairment and impairment reversals are disclosed in Note 11.

Inputs used to estimate value in use
The estimate of value in use is most sensitive to the following inputs:
- Five-year business plan
- Discount rate
- Long-term growth rate

Methodology used to estimate fair value
Fair value is determined using a range of methods, including present value techniques using assumptions consistent with the value in use calculations and market multiple techniques using externally available data.

Further details on key assumptions, estimates and sensitivities are disclosed in Note 11.

Property transaction including sale and leaseback of land
During the period the Group entered into a sale and lease transaction of a single property, comprising land and a hotel currently under construction. Under the agreement, the Group is acting as the developer of the site. As a part of the transaction, the property is being developed into a completed hotel asset via a forward funding agreement with a counterparty. The transaction's sale, development and subsequent lease contracts were all negotiated together as one commercial transaction, with the transaction prices allocated based on the negotiated position rather than stand-alone contracts.

In relation to the land portion of the site sold, management has reviewed the criteria within IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, concluding that a sale and leaseback for the land has occurred to the counterparty.

In relation to the hotel under construction asset, management has reviewed IFRS 15, concluding that a sale for this asset has occurred to the counterparty and the building leased back in the future will be the completed hotel, not the same asset that was sold. Therefore, management have concluded that the current year sale and future lease of the completed hotel does not represent a sale and leaseback under IFRS 16.

Treatment of sale and leaseback of land

The land on which the hotel is being developed has been sold with Whitbread holding no rights to re-obtain the legal title. The performance obligation for the sale of land has been satisfied as defined under IFRS 15. A gain of £3.1m is recognised on the sale of the land which represents the proportion of the land assessed as having been sold and subject to leaseback at practical completion of the site sold. In assessing the gain to be recognised on the sale and leaseback transaction, Management have considered the fair value of the land at the sale date against the consideration allocated for the sale of the land.

Treatment for sale of hotel under construction

During the period, the performance obligation associated with the sale of the hotel under construction was assessed as being satisfied such that the asset has been derecognised, nil gain was recognised as allocated proceeds were substantially similar to the carrying value of the building.

The Group is exposed to cost overruns on the development of the hotel. Due to the allocation of the transaction's proceeds to the land, net costs of £1.7m have been recognised, reducing the overall transaction's gain in the reporting period as the commercial terms were negotiated together.

The net gain recognised on this transaction of £1.4m has been based on an assessment of the obligations completed under the terms of the agreement.

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 13 describes the sensitivity of the defined benefit pension obligation to changes in key assumptions.

[1] *The Group's impairment testing referred to above is deemed to include the review of potential impairment charge as well as potential reversals of any previous impairments as at the reporting period end date.*

2. Segmental analysis

The Group provides services in relation to accommodation, food and beverage ('F&B') both in 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.

During the six months ended 1 September 2022, the Group submitted its German Bridge Aid III Plus and IV claims, for which it received net cash of £17.3m. These amounts were recognised in the prior year for costs the Group incurred from July 2021 – January 2022. No further claims for COVID-related Government support were made in the UK or in Germany, and hence the Group has not recognised COVID-related Government support during the six months ended 1 September 2022.

The following tables present revenue and profit information regarding business operating segments for the six months to 1 September 2022 and 26 August 2021.

	6 months to 1 September 2022				6 months to 26 August 2021			
Revenue	**UK and Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK and Ireland £m	Germany £m	Central and other £m	Total £m
Accommodation	**940.0**	**44.5**	**-**	**984.5**	466.8	9.2	-	476.0
Food, beverage and other items	**358.0**	**7.9**	**-**	**365.9**	183.8	1.8	-	185.6
Revenue	**1,298.0**	**52.4**	**-**	**1,350.4**	650.6	11.0	-	661.6

	6 months to 1 September 2022				6 months to 26 August 2021			
Profit/(loss)	**UK and Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK and Ireland £m	Germany £m	Central and other £m	Total £m
Adjusted operating profit/(loss) before joint ventures[1]	**379.5**	**(18.7)**	**(17.3)**	**343.5**	42.6	(0.5)	(14.6)	27.5
Share of loss from joint ventures	**-**	**-**	**(0.3)**	**(0.3)**	-	-	(1.0)	(1.0)
Adjusted operating profit/(loss)	**379.5**	**(18.7)**	**(17.6)**	**343.2**	42.6	(0.5)	(15.6)	26.5
Net finance costs	**(62.4)**	**(6.2)**	**(2.7)**	**(71.3)**	(60.4)	(3.8)	(18.9)	(83.1)
Adjusted profit/(loss) before tax	**317.1**	**(24.9)**	**(20.3)**	**271.9**	(17.8)	(4.3)	(34.5)	(56.6)
Adjusting items (Note 4)				**35.5**				37.3
Profit/(loss) before tax				**307.4**				(19.3)

	6 months to 1 September 2022			6 months to 26 August 2021		
Other segment information	**UK and Ireland £m**	**Germany £m**	**Total £m**	UK and Ireland £m	Germany £m	Total £m
Capital expenditure:						
Property, plant and equipment – cash basis	**247.3**	**35.3**	**282.6**	72.3	27.9	100.2
Property, plant and equipment – accruals basis	**241.8**	**33.2**	**275.0**	63.7	29.0	92.7
Intangible assets	**15.2**	**-**	**15.2**	6.1	0.1	6.2
Cash outflows from lease interest and payment of principal of lease liabilities	**116.5**	**17.5**	**134.0**	122.7	12.1	134.8
Depreciation – property, plant and equipment	**74.2**	**5.3**	**79.5**	71.7	3.5	75.2
Depreciation – right-of-use assets	**65.8**	**15.1**	**80.9**	59.8	10.4	70.2
Amortisation	**8.6**	**0.1**	**8.7**	10.5	0.1	10.6

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

[1] During the comparative half-year period adjusted operating profit/(loss) for the UK and Ireland segment included the impact of Business Rates Relief provided by the UK Government of £47.7m and income from the job retention schemes in the UK and Ireland of £60.0m. Adjusted loss for the Germany segment included income of £28.6m from government grants.

3. Other income

	6 months to 1 September 2022 £m	6 months to 26 August 2021 £m
Rental income	**1.7**	4.3
Government grants (Note 6)	**-**	93.3
Other	**-**	0.2
Other income before adjusting items	**1.7**	97.8
VAT settlement	**-**	8.7
Other income	**1.7**	106.5

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 1 September 2022 £m	6 months to 26 August 2021 £m
Adjusting items were as follows:		
Other income:		
VAT settlement[1]	**-**	8.7
Adjusting other income	**-**	8.7
Operating costs:		
Net impairment reversals – property, plant and equipment, right-of-use assets and other intangible assets[2]	**33.5**	-
Gains on disposals and property provisions[3]	**2.0**	28.6
Adjusting operating costs	**35.5**	28.6
Adjusting items before tax	**35.5**	37.3
Tax adjustments included in reported loss after tax, but excluded in arriving at adjusted loss after tax:		
Tax on adjusting items	**(10.5)**	(6.7)
Effect of in-year rate differential/change in tax rates[4]	**(7.5)**	(15.0)
Adjusting tax expense	**(18.0)**	(21.7)

[1] During the comparative period, in August 2021, HMRC confirmed it would not appeal the ruling of the First-tier Tribunal in the case of Rank Group plc that VAT was incorrectly applied to revenues earned from certain gaming machines from 2005 to 2013. The Group has submitted claims which are substantially similar and has recognised £8.7m.

[2] The Group has identified further cash-generating unit ('CGU') specific indicators of impairment and an indicator of reversal of previously recognised impairment losses relating to assets held by the Group. An impairment review of those assets was undertaken, resulting in a total net impairment reversal of £35.9m (HY22: £nil). This net impairment reversal is comprised of £23.4m relating to property, plant and equipment (HY22: £nil) and £12.5m relating to right-of-use assets (HY22: £nil). In addition, an impairment charge of £2.4m (HY22: £nil) was recorded in relation to assets classified as held for sale.

[3] During the 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. During the period, the Group has recorded profits on other property disposals of £0.6m (H1 FY22: £1.1m).

During the comparative period, in June 2021, the Group disposed of a single property as part of a sale and leaseback transaction receiving proceeds of £40.0m. The Group will continue to rent the property for a period of five years. A profit of £27.5m was recognised on disposal of the property.

[4] During the comparative period, the UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, effective from 1 April 2023. The change resulted in the remeasurement of those UK deferred tax assets and liabilities which were forecast to be utilised or to crystalise after that effective date, using the higher tax rate and, as a result, an expense of £15.0m was recorded in the income statement. The current year expense of £7.5m relates to the in-year rate differential, noting that current tax is booked at 19% and deferred tax is booked at a higher rate.

5. Finance (costs)/income

	6 months to 1 September 2022 £m	6 months to 26 August 2021 £m
Finance costs		
Interest on bank loans and overdrafts	**(2.9)**	(3.6)
Interest on other loans	**(12.1)**	(15.1)
Interest on lease liabilities	**(68.6)**	(64.2)
Interest capitalised	**0.1**	0.3
Unwinding of discount on contingent consideration	**(0.2)**	(0.5)
Cost of hedging	**(0.5)**	(2.0)
	(84.2)	(85.1)
Finance income		
Bank interest receivable	**6.1**	0.1
Other interest receivable	**-**	0.1
IAS 19 pension finance income (Note 13)	**6.8**	1.8
	12.9	2.0
Total net finance costs	**(71.3)**	(83.1)

6. COVID-related Government grants and assistance

In prior years, the Group claimed government support designed to mitigate the impact of COVID-19.

During the six months ended 1 September 2022, the Group submitted its German Bridge Aid III Plus and IV claims, for which it received net cash of £17.3m. These amounts were recognised in the prior year for costs the Group incurred from July 2021 – January 2022. No further claims for COVID-related Government support were made in the UK or in Germany, and hence the Group has not recognised COVID-related Government support during the six months ended 1 September 2022.

7. Taxation

The Group effective tax rate applied to the profit before tax before adjusting items for the six-month period ended 1 September 2022 is 20.4% (H1 FY22: 5.7%).

The tax charge for the 26 weeks to 1 September 2022 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 2 March 2023.

A UK current tax rate of 19% and a blended UK deferred tax rate ranging between 19% and 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 on the basis that we do not currently have sufficient certainty to recognise a deferred tax asset for German losses carried forward for offset in a future year.

The Group effective tax rate applied to the profit before tax before adjusting items of 20.4% is higher than the UK statutory corporate tax rate of 19% primarily due to the impact of overseas tax losses for which no tax has been recognised.

The overall group effective tax rate on statutory profit for the six-month period ended 1 September 2022 of 23.9% (H1 FY22: negative 95.9%) is due to the impact of overseas losses not recognised and the tax impact of certain adjusting items, primarily relating to the effect of rate change and gains on disposals of property.

Consolidated income statement	**6 months to 1 September 2022 £m**	6 months to 26 August 2021 £m
Current tax:		
Current tax expense	**20.9**	-
Adjustments in respect of previous periods	**-**	(2.1)
	20.9	(2.1)
Deferred tax:		
Origination and reversal of temporary differences	**45.2**	0.4
Effect of in-year rate differential/change in tax rates[1]	**7.5**	15.0
Adjustments in respect of previous periods	**(0.1)**	5.2
	52.6	20.6
Tax reported in the consolidated income statement	**73.5**	18.5

[1] The current year expense of £7.5m relates to the in-year rate differential, noting that current tax is booked at 19% and deferred tax is booked at a higher rate.

Deferred tax

The major deferred tax assets/(liabilities) 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 3 March 2022	**(72.5)**	**(92.5)**	**(165.9)**	**48.7**	**139.3**	**(7.7)**	**(150.6)**
Charge to consolidated income statement	**(14.2)**	**(11.2)**	**(1.4)**	**(1.9)**	**(21.7)**	**(2.2)**	**(52.6)**
Credit to statement of comprehensive income	**-**	**-**	**24.8**	**-**	**-**	**0.4**	**25.2**
Credit/(charge) to statement of changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange and other movements	**-**	**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**
At 1 September 2022	**(86.7)**	**(103.7)**	**(142.5)**	**46.8**	**117.6**	**(9.8)**	**(178.3)**

The UK Budget 2021 announcement on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, effective from 1 April 2023. This was substantively enacted in May 2021 and remains the position at the signing of these financial statements. As such, the Group continues to estimate that all UK deferred tax balances expected to be utilised or crystallise after 1 April 2023 should be recognised at the rate of 25%.

The Group has unrecognised German tax losses of £158.1m (March 2022: £128.2m) 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 reporting period and, to the extent that they exceed deferred tax liabilities within the same tax group, the Group does not think it is currently appropriate to recognise any deferred tax asset. Recognition of these unrecognised assets in their entirety would result in an increase in the reported deferred tax asset of £50.5m (March 2022: £40.9m).

8. Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit/(loss) 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 1.1m (H1 FY22: 2.1m) 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 1 September 2022 million	6 months to 26 August 2021 million
Basic weighted average number of ordinary shares	**202.1**	201.9
Effect of dilution – share options	**1.2**	-
Diluted weighted average number of ordinary shares	**203.3**	201.9

The profits/(losses) used for the earnings per share calculations are as follows:

	6 months to 1 September 2022 £m	6 months to 26 August 2021 £m
Profit/(loss) for the period attributable to parent shareholders	**233.9**	(37.8)
Adjusting items before tax (Note 4)	**(35.5)**	(37.3)
Adjusting tax expense (Note 4)	**18.0**	21.7
Adjusted profit/(loss) for the period attributable to parent shareholders	**216.4**	(53.4)

	6 months to 1 September 2022 pence	6 months to 26 August 2021 pence
Basic EPS on profit/(loss) for the period	**115.7**	(18.7)
Adjusting items before tax (Note 4)	**(17.6)**	(18.5)
Adjusting tax expense (Note 4)	**8.9**	10.8
Basic EPS on adjusted profit/(loss) for the period	**107.0**	(26.4)
Diluted EPS on profit/(loss) for the period	**115.0**	(18.7)
Diluted EPS on adjusted profit/(loss) for the period	**106.4**	(26.4)

9. Dividends

	6 months to 1 September 2022		6 months to 26 August 2021	
	pence per share	**£m**	pence per share	£m
Equity dividends on ordinary shares:				
Final dividend for prior year	**34.70**	**70.1**	-	-
Dividends on other shares:				
B share dividend	**0.10**	**-**	0.30	-
Total dividends paid		**70.1**		-

An interim dividend of 24.4p per ordinary share (2022:nil p) amounting to a total dividend of £49.0m (2022: £nil) was declared by the directors on 24 October 2022. 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 FY22: 2.0m) B shares in issue. The Group paid a dividend of 0.1p per share (H1 FY22: 0.3p per share) during the period.

10. Borrowings and net debt

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

	Current		**Non-current**	
	1 September 2022 £m	3 March 2022 £m	**1 September 2022 £m**	3 March 2022 £m
Revolving credit facility (£775.0m)	**-**	-	**-**	-
Senior unsecured bonds	**-**	-	**992.7**	991.9
	-	-	**992.7**	991.9

Revolving credit facility

The revolving credit facility which at 3 March 2022 was £850.0m, was replaced on 25 May 2022 with a new 5 year £775.0m multicurrency revolving credit facility agreement.

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

Net Debt/Adjusted EBITDA <3.5x

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

	3 March 2022 £m	Cash flow £m	Net new lease liabilities £m	Foreign exchange £m	Fair value adjustments £m	Amortisation of premiums and discounts £m	1 September 2022 £m
Cash and cash equivalents	1,132.4	**41.3**	**-**	**1.1**	**-**	**-**	**1,174.8**
Liabilities from financing activities							
Borrowings	(991.9)	**-**	**-**	**-**	**-**	**(0.8)**	**(992.7)**
Lease liabilities	(3,701.8)	**65.4**	**(87.7)**	**(24.7)**	**-**	**-**	**(3,748.8)**
Total liabilities from financing activities	(4,693.7)	**65.4**	**(87.7)**	**(24.7)**	**-**	**(0.8)**	**(4,741.5)**
Less: lease liabilities	3,701.8	**(65.4)**	**87.7**	**24.7**	**-**	**-**	**3,748.8**
Net cash	140.5	**41.3**	**-**	**1.1**	**-**	**(0.8)**	**182.1**

Liquidity Risk

The tables below summarise the maturity profile of the Group's financial liabilities at 1 September 2022 and 3 March 2022 based on contractual undiscounted payments, including interest:

1 September 2022	**On demand £m**	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**More than 5 years £m**	**Total £m**
Non-derivative financial liabilities:						
Interest-bearing loans and borrowings	**-**	**15.2**	**14.6**	**854.1**	**280.0**	**1,163.9**
Lease liabilities[1]	**-**	**70.2**	**209.6**	**1,123.9**	**4,921.9**	**6,325.6**
Trade and other payables	**-**	**173.8**	**-**	**1.3**	**-**	**175.1**
	-	**259.2**	**224.2**	**1,979.3**	**5,201.9**	**7,664.6**
Derivative financial assets/liabilities:						
Cross currency swaps:						
Derivative contracts – receipts	**-**	**(15.2)**	**-**	**(495.6)**	**-**	**(510.8)**
Derivative contracts – payments	**-**	**9.5**	**-**	**477.5**	**-**	**487.0**
	-	**(5.7)**	**-**	**(18.1)**	**-**	**(23.8)**
Total	-	253.5	224.2	1,961.2	5,201.9	7,640.8

3 March 2022	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Non-derivative financial liabilities:						
Interest-bearing loans and borrowings	-	19.0	15.2	554.1	594.6	1,182.9
Lease liabilities[1]	-	67.3	206.5	1,116.5	4,918.3	6,308.6
Trade and other payables	-	163.6	12.4	1.2	-	177.2
	-	249.9	234.1	1,671.8	5,512.9	7,668.7
Derivative financial assets/liabilities:						
Cross currency swaps:						
Derivative contracts – receipts	-	-	(15.2)	(495.6)	-	(510.8)
Derivative contracts – payments	-	-	9.1	459.1	-	468.2
	-	-	(6.1)	(36.5)	-	(42.6)
Total	-	249.9	228.0	1,635.3	5,512.9	7,626.1

[1] Contractual undiscounted payments relating to lease liabilities due in more than 5 years includes £1,367.2m (March 2022: £1,324.5m) due between 5 and 10 years, £2,061.5m (March 2022: £1,925.3m) due between 10 and 20 years and £1,493.2m (March 2022: £1,668.5m) due in more than 20 years.

11. Impairment

During the year, net impairment reversals of £33.5m (HY22: £nil) were recognised within operating costs. These impairment reversals are primarily driven by an increase in anticipated cash flows. The losses/(reversals) were recognised on the following classes of assets:

6 months to 1 September 2022	Net impairment loss/(reversal) £m
Property, plant and equipment	
Impairment losses	9.6
Impairment reversals	(33.0)
Transfer to assets held for sale	0.3
Right-of-use assets	
Impairment losses	1.0
Impairment reversals	(13.5)
Assets held for sale	
Impairment losses	2.1
	(33.5)

Property, plant and equipment and right-of-use assets

The Group has identified CGU-specific indicators of impairment and an indicator of reversal of previously recognised impairment losses relating to assets held by the Group. A review of those assets was undertaken, resulting in a total net impairment reversal of £35.9m (HY22: £nil). This net impairment reversal is comprised of £23.4m relating to property, plant and equipment (HY22: nil) and £12.5m relating to right-of-use assets (HY22: £nil). In addition, an impairment charge of £2.4m (HY22: £nil) was recorded in relation to assets classified as held for sale.

The Group considers each trading site to be a CGU. Where indicators of impairment are identified, an impairment assessment is undertaken. In assessing whether an asset has been impaired, the carrying amount of the site is compared to its recoverable amount. The recoverable amount is the higher of its value in use and its fair value less costs of disposal.

The Group calculates a value in use (VIU) for each site. Where the VIU is lower than the carrying value of the CGU, the Group uses a range of methods for estimating the fair value less costs of disposal (FVLCD). These include applying a market multiple to the CGU EBITDAR and, for leasehold sites, present value techniques using a discounted cash flow method. Both FVLCD methods rely on inputs not normally observable by market participants and are therefore level 3 measurements in the fair value hierarchy.

The key assumptions used by management in estimating value in use were:

Approved budget period

Forecast cashflow for the initial five-year period are based on actual cash flows for HY23 and applying management's assumptions of the performance of the Group over the next five years.

The key assumptions used by management in setting the Board approved financial budgets for the initial five-year period were as follows:

- Recovery of trading: Actual results from HY23 have been used as a basis for the 5-year business plan as this year represents the first showing signs of recovery of the Group since the end of COVID-related restrictions.
- Forecast growth rates: Forecast growth rates are based on the Group business plan which includes assumptions around the UK and German economies over the next five years.
- Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of inflation and cost-saving initiatives.
- Local factors impacting the site in the current year or expected to impact the site in future years. Key assumptions include the maturity profile of individual sites, the future potential of immature sites and the impact of increasing or reducing market supply in the local area.

Discount rates

The discount rate is based on the Weighted Average Cost of Capital (WACC) of a typical market participant, taking into account specific country and currency risks associated with the Group. The average pre-tax discount rate used is 10.2% in the UK, and 9.0% in Germany (March 2022: 8.7% UK and 7.3% Germany). The discount rate has increased since the year end reflecting market volatility in the spot risk free rate inputs used in the Group's WACC calculation.

Long-term growth rates

A long-term growth rate of 2.0% was used for cash flows subsequent to the 5-year approved budget/plan period. This long-term growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGUs operate and the long-term growth rate prospects of the sectors in which the CGUs operate.

The key assumptions used by management in estimating the FVLCD on a market multiple were:

EBITDAR multiple
An EBITDAR multiple is estimated based on a normalised trading basis and market data obtained from external sources. This resulted in a multiple in the range of 9 to 11 times.

Discounted cash flows
The key assumptions used by management in estimating the FVLCD on a discounted cashflow method were similar to those used in the value in use assessment, modified to reflect estimated cost of disposal and lease payments. The inclusion of lease payments is reflected in the discount rate, increasing UK WACC for the specific asset class from 10.2% to 11.2%.

Sensitivity to changes in assumptions
The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying a reasonably possible change in assumptions to the growth rates used in the 5-year business plans, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge in the period to 1 September 2022 of:

	Property, plant and equipment and right-of use assets £m
Reduction in net impairment reversal if year one and succeeding years' cashflows reduced by 20%	13.7
Reduction in net impairment reversal if discount rate increased by 2%	9.0
Reduction in net impairment reversal if long-term growth rates reduced by 1%	4.6
Reduction in net impairment reversal if EBITDAR multiple reduced by 10%	2.6

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.

12. 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.

Contingent Consideration
The Group has recorded contingent consideration in relation to acquisitions within trade and other payables.

	6 months to 1 September 2022 £m	6 months to 26 August 2021 £m
Opening contingent consideration	**25.1**	62.8
Unwinding of discount (Note 5)	**0.2**	0.5
Paid during the period	**(6.4)**	(0.5)
Foreign exchange movements	**1.0**	(0.7)
Closing contingent consideration	**19.9**	62.1

The consideration will become payable upon the handover of hotel sites which are currently being developed. The fair value of contingent consideration is classified as level 3 and the fair value is calculated by discounting the future payments from their expected handover date using a risk adjusted discount rate. There have been no remeasurements recorded during the period.

	1 September 2022 £m	26 August 2021 £m	3 March 2022 £m
Financial assets			
Derivative financial instruments – level 2	**-**	20.9	15.8
Financial liabilities			
Derivative financial instruments – level 2	**(2.8)**	(1.2)	-
Contingent consideration – level 3	**(19.9)**	(62.1)	(25.1)

There were no transfers between levels during any period disclosed.

13. Defined benefit pension surplus

During the six-month period to 1 September 2022, the defined benefit pension scheme has moved from a surplus of £522.6m to £429.2m. The main movements in the surplus are as follows:

		£m
Pension surplus as at 3 March 2022		522.6
Remeasurement due to:		
Changes in financial assumptions	631.3	
Return on plan assets greater/(lower) than discount rate	(731.9)	
		(100.6)
Contributions from employer		2.4
Net interest on pension liability and assets		6.8
Administrative expenses		(2.0)
Pension surplus as at 1 September 2022		**429.2**

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*.

The defined benefit scheme entered into a £660.7m buy-in transaction covering 50% of pensioners on 23 June 2022 whereby the assets of the plan were invested in a bulk purchase annuity policy with the insurer, Standard Life, under which the benefits payable to defined benefit members covered under the policy became fully insured. The difference between the cost of the insurance policy and the accounting value of the liabilities secured was £68.7m and has been recorded within actuarial losses in the statement of other comprehensive income.

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 1 September 2022 for *IAS 19 Employee Benefits* purposes were:

	1 September 2022 %	3 March 2022 %
Pre-April 2006 rate of increase in pensions in payment	**3.3**	3.4
Post-April 2006 rate of increase in pensions in payment	**2.2**	2.3
Pension increases in deferment	**3.3**	3.4
Discount rate	**4.4**	2.6
Inflation assumption	**3.4**	3.6

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.0 years (March 2022: 20.0 years) if they are male and for a further 22.6 years (March 2022: 22.6 years) if they are female. For a member who retires in 2042 at age 65, the assumptions are that they will live on average for a further 21.1 years (March 2022: 21.1 years) after retirement if they are male and for a further 23.8 years (March 2022: 23.8 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:

	(Increase)/decrease in gross defined benefit liability	
	1 September 2022	3 March 2022
Discount rate		
2.00% increase to discount rate	**407.0**	
2.00% decrease to discount rate	**(632.0)**	
1.00% increase to discount rate		359.0
1.00% decrease to discount rate		(458.0)
Inflation		
0.25% increase to inflation rate	**(40.0)**	(73.0)
0.25% decrease to inflation rate	**39.0**	72.0
Life expectancy		
One-year increase to life expectancy	**(94.0)**	(126.0)

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.

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

	6 months to 1 September 2022 £m	6 months to 26 August 2021 £m
Cash generated from/(used in) operations		
Profit/(loss) for the period	**233.9**	(37.8)
Adjustments for:		
Tax expense	**73.5**	18.5
Net finance costs (Note 5)	**71.3**	83.1
Share of loss from joint ventures	**0.3**	1.0
Depreciation and amortisation	**169.1**	156.0
Share-based payments	**7.4**	6.3
Net impairment reversals	**(33.5)**	-
Impairment of loans to joint ventures	**-**	0.8
Gains on disposals, property and other provisions (Note 4)	**(2.0)**	(28.6)
Other non-cash items	**5.0**	6.5
Cash generated from/(used in) operations before working capital changes	**525.0**	205.8
Increase in inventories	**(1.4)**	(2.8)
Decrease/(increase) in trade and other receivables	**8.7**	(46.7)
Increase in trade and other payables	**21.9**	162.0
Cash generated from operations	**554.2**	318.3

Other non-cash items include an inflow of £2.7m (H1 FY22: £5.0m) as a result of net provision movements and an inflow of £2.0m (H1 FY22: £1.4m) representing non-cash pension scheme administration costs.

15. Share capital and reserves

During the period, 0.5m shares were purchased by the Group's independently managed Employee Share Ownership Trust (ESOT) for consideration of £12.3m. Subsequent to the year end, a further 0.8m shares were purchased. The total anticipated consideration for the 1.3m shares was £32.5m and is included in the consolidated statement of cash flows. Post the balance sheet date £0.8m was returned to the Group leaving a final consideration of £31.7m.

16. Related party disclosure

In Note 33 to the Annual Report and Accounts for the year ended 3 March 2022, 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 1 September 2022 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 2 March 2023. All transactions with subsidiaries are eliminated on consolidation.

17. Capital expenditure commitments

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

	1 September 2022 £m	26 August 2021 £m	3 March 2022 £m
Property, plant and equipment	**85.1**	132.8	106.4
Intangible assets	**11.0**	2.6	7.3

18. Events after the balance sheet date

On 19 October 2022 the Group signed an agreement, subject to various conditions, to acquire a portfolio of six hotels, including five leasehold operations in Germany and one freehold hotel in Austria. The purchase price is €32.6m including real estate transfer tax. The deal is due to complete before the end of the year. On completion the impact of IFRS 16 on the leases acquired will be assessed.

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 1st September 2022 which comprises the income statement, the balance sheet, the statement of comprehensive income, statement of changes of equity, the cash flow statement and related notes 1 to 18.

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 1st September 2022 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
24th October 2022

Glossary

Adjusted property rent
Total property rent less a proportion of contingent rent.

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 pub 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.

OTAs
Online Travel Agents

Operating profit
Profit before net finance costs and tax.

Property rent
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 in arriving at funds from operations.

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.

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
Adjusted* revenue	Revenue	Adjusting items	Revenue adjusted to exclude TSA income.
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.

Reconciliation

	6 months to 1 September 2022	6 months to 26 August 2021
UK Accommodation sales (£m)	**940.0**	466.8
Number of rooms occupied by guests ('000)	**12,783**	8,869
UK average room rate (£)	**73.54**	52.63
Germany Accommodation sales (£m)	**44.5**	9.2
Number of rooms occupied by guests ('000)	**805**	252
Germany average room rate (£)	**55.27**	36.49

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
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.

Reconciliation

	6 months to 1 September 2022	6 months to 26 August 2021
UK like-for-like revenue growth	**93.4%**	194.3%
Contribution from net new hotels	**8.0%**	6.1%
UK Accommodation sales growth	**101.4%**	200.4%

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Three-year UK like-for-like revenue growth	Movement in accommodation sales per segment information	Accommodation sales from non like-for-like	Change in revenue for outlets open for at least three years. This is a temporary measure introduced to provide a comparison between the current year and the comparative period before the impact of the COVID-19 pandemic being 2020.

Reconciliation

	6 months to 1 September 2022
UK like-for-like revenue growth	**24.4%**
Contribution from net new hotels	**10.4%**
UK Accommodation sales growth	**34.8%**

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.

Reconciliation

	6 months to 1 September 2022	6 months to 26 August 2021
UK Accommodation sales (£m)	**940.0**	466.8
Available rooms ('000)	**15,067**	14,528
UK RevPAR (£)	**62.39**	32.13
Germany Accommodation sales (£m)	**44.5**	9.2
Available rooms ('000)	**1,268**	787
Germany RevPAR (£)	**35.06**	11.69

APM	**Closest equivalent IFRS**	**Adjustments to reconcile to IFRS measure**	**Definition and purpose**
INCOME STATEMENT MEASURES			
Adjusted* 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* tax	Tax charge/credit	Adjusting items (Note 4)	Tax charge/credit before adjusting items. Reconciliation: Consolidated income statement
Adjusted* profit/loss before tax	Profit/loss before tax	Adjusting items (Note 4)	Profit/loss before tax and adjusting items. Reconciliation: Consolidated income statement
Adjusted* 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 8
Profit 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 debt/cash	Total liabilities from financing activities	Exclude lease 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 10
Adjusted net debt/cash	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	Net debt/cash adjusted for cash, assumed by ratings agencies to not be readily available. 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 1 September 2022 £m	**As at 26 August 2021 £m**
Net cash	**(182.1)**	(60.2)
Restricted cash adjustment	**10.0**	10.0
Adjusted net cash	**(172.1)**	(50.2)

Lease adjusted net debt	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	Adjusted net debt/cash plus lease debt. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.

Reconciliation	**As at 1 September 2022 £m**	**As at 26 August 2021 £m**
Adjusted net (cash)/debt	**(172.1)**	(50.2)
Lease debt	**2,371.1**	2,095.0
Lease adjusted net (cash)/debt	**2,199.0**	2,045.0

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 1 September 2022 £m**	As at 26 August 2021 £m
Net cash	**(182.1)**	(60.2)
Lease liabilities	**3,748.8**	3,313.6
Net debt and lease liabilities	**3,566.7**	3,253.4

APM	**Closest equivalent IFRS**	**Adjustments to reconcile to IFRS measure**	**Definition and purpose**
CASH FLOW MEASURES			
Funds from operations (FFO)	Net cash flows from operating activities	Refer to definition	This measure has been changed to align to Fitch methodology post IFRS16. Net cash flows from operating activities after adding back changes in working capital, interest on lease liabilities and cash interest. A comparative is not disclosed as this measure was not utilised during those financial periods heavily impacted by COVID-19.

Reconciliation	**12 months to 1 September 2022 £m**
Net cash flow from operations	**729.0**
Working capital movements	**(99.2)**
Cash interest	**29.7**
Interest on lease liabilities	**137.6**
Funds from operations	**797.1**

Lease adjusted net debt to FFO	No direct equivalent	Refer to definition	This measure has been changed to align to Fitch methodology post IFRS16. Ratio of lease-adjusted net debt/cash compared to funds from operations (FFO A comparative is not disclosed as this measure was not utilised during those financial periods heavily impacted by COVID-19.

Reconciliation	**12 months to 1 September 2022 £m**
Lease adjusted net debt	**2,199.0**
Funds from operations	**797.1**
Lease adjusted net debt to FFO	**2.8**

Operating cash flow	Cash generated from/used 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 1 September 2022 £m	6 months to 26 August 2021 £m
Adjusted operating profit	**343.2**	26.5
Depreciation – right-of-use assets	**80.9**	70.2
Depreciation – property, plant and equipment	**79.5**	75.2
Amortisation	**8.7**	10.6
Interest paid – lease liabilities	**(68.6)**	(64.2)
Payment of principal of lease liabilities	**(65.4)**	(70.6)
Lease incentives received	**2.0**	-
Movement in working capital	**29.2**	112.5
Operating cash flow	**409.5**	160.2

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* EBITDA (post-IFRS 16), Adjusted* EBITDA (pre-IFRS 16) and Adjusted* 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 1 September 2022 £m	6 months to 26 August 2021 £m
Adjusted operating profit	**343.2**	26.5
Depreciation – right-of-use assets	**80.9**	70.2
Depreciation – property, plant and equipment	**79.5**	75.2
Amortisation	**8.7**	10.6
Adjusted EBITDA (post-IFRS 16)	**512.3**	182.5
Variable lease payment expense	**1.1**	0.1
Rental income	**(1.7)**	(4.3)
Adjusted EBITDAR	**511.7**	178.3
Rental expense, variable lease payments and rental income	**(131.2)**	(112.3)
Adjusted EBITDA (pre-IFRS 16)	**380.5**	66.0

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. A comparative is not disclosed as this measure was not utilised during those financial periods heavily impacted by COVID-19.

Reconciliation	**12 months to 1 September 2022**	
	Total	**UK & Ireland**
	£m	**£m**
Adjusted operating profit	470.0	
Depreciation – right-of-use assets	158.8	
Rent expense	(253.6)	
Adjusted operating profit pre-IFRS 16	**375.2**	**410.5**
Net assets	4,206.8	
Net cash	(182.1)	
Current tax (assets)/ liabilities	13.9	
Deferred tax liabilities	178.3	
Pension surplus	(429.2)	
Derivative financial assets	-	
Derivative financial liabilities	2.8	
Lease liabilities	3,748.8	
Right-of-use assets	(3,310.1)	
IAS 17 rent adjustments	(65.0)	
Adjusted net assets	**4,164.2**	**3,722.1**
Return on capital employed	**9.0%**	**11.0%**

* 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.