WHITBREAD

FY21 Interim Results

27 October 2020

Outperforming the market in the UK and accelerating growth in Germany

H1 performance was in-line with expectations and reflects the closure of the vast majority of our businesses during the lockdown period from the end of March. We rapidly reopened our estate, with 97% of our UK hotels reopened by the end of July, and we have subsequently grown our market share. In Germany we have more than trebled our open hotel network to 21 hotels from the beginning of the year. Whitbread's balance sheet was enhanced by the successful £1bn Rights Issue completed in June, and provides a strong platform for the continued successful execution of our structural growth strategy in the UK and Germany, and we have today announced a transaction which will accelerate our growth in Germany with the addition of up to 15 hotels. Given the fast-changing nature of the COVID-19 environment in which we are operating, and increased levels of local and regional lockdowns, near-term visibility remains limited. However, as the situation evolves, Premier Inn remains well-placed to capitalise on the enhanced structural growth opportunities that will exist, driving attractive returns on investment in the long-term.

FY21 H1 operational highlights – outperforming and growing market share

- H1 total sales were significantly down year-on-year reflecting the closure of the vast majority of our hotels and restaurants for a large part of the period
- When permitted, we reopened quickly and safely, with 97% of UK hotels open by the end of July
- Since reopening, UK accommodation sales performance has been ahead of the market, benefitting from the fast reopening, the strength of the Premier Inn brand and our leading customer proposition
- UK occupancy levels steadily improved on a weekly basis, averaging 51% in August, while UK Restaurant performance was boosted by the positive impact of the Eat Out to Help Out scheme. August UK total sales improved to 38.5% down year-on-year
- Customer scores remained very strong during the first half, despite the significant disruption
- In Germany, we grew our open hotel network from 6 to 19 hotels by the end of the half, and by a further 2 in October to take the total to 21 open hotels today

Ongoing decisive action to protect the business

- Our financial response to the COVID-19 crisis included significant reductions in discretionary spend and capital expenditure, suspension of the dividend, voluntary pay cuts for the Board and management team, and use of UK and German Government support packages
- Further actions taken include a restructure of head office and site level operations to ensure that we emerge from the crisis with a lower cost base, a more flexible operating model and a stronger more resilient business
- A £1bn Rights Issue was successfully completed in June, enhancing our financial flexibility
- We supported the community and national effort during lockdown by making rooms available to NHS staff and donating over 335,000 meals to charities

Driving long-term value

- In the UK, we will continue to grow and innovate, by leveraging the powerful competitive advantages of our brand, market-leading direct distribution, our best-in-class operating model and our broad customer reach, while capitalising on the enhanced structural opportunities that will exist post COVID-19
- In Germany, we have a compelling opportunity to replicate our UK success story, and our aim is for Premier Inn to be the number one budget hotel operator. We will continue to invest in growing our German pipeline and believe we have a long-term line-of-sight to over 60,000 rooms through both organic and inorganic investment
- We have also today announced the signing of up to a further 15 hotels in Germany that are currently operating under the Centro, Ninetynine and Fourside brands, of which 8 are open and 7 are pipeline. Subject to competition clearance, the open hotels are expected to join the Premier Inn estate in December 2020, and would take our open estate to 29 hotels and our total open and committed pipeline in Germany to 68 hotels
- Recent lockdown measures announced by the UK Government mean we will continue to manage our cash position carefully. However, our balance sheet, enhanced by the successful Rights Issue, provides a strong platform for future growth and investment to drive market share gains

Financial highlights

£m	H1 FY21	H1 FY20	*Change*
Statutory revenue[1]	250.8	1,084.0	*(76.9)%*
Adjusted EBITDAR†	(153.7)	426.7	*(136.0)%*
Adjusted (loss) / profit before tax†	(367.4)	235.6	*(255.9)%*
Statutory (loss) / profit before tax	(724.7)	219.9	*(429.6)%*
Statutory (loss) / profit for the period	(660.5)	172.2	*(483.6)%*
Adjusted basic EPS†	(181.9)p	97.1p	*(287.3)%*
Statutory basic EPS	(377.4)p	89.6p	*(521.2)%*
Dividend	0.0p	32.7p	*(100.0)%*
Cash and cash equivalents	936.2	804.9	*131.3*
Net cash / (debt)†	196.4	(77.5)	*273.9*
Net cash / (debt) and lease liabilities†	(2,765.2)	(2,575.1)	*(7.4)%*

1: Includes £0.3m of revenue relating to the Costa disposal transitional service agreement (H1 FY20: £6.0m)
† signifies an alternative performance measure (APM) – Further information can be found in the glossary and reconciliation of APMs at the end of this document.

- The financial performance in H1 reflects the closure of the vast majority of our business for a large part of the period. Our hotels and restaurants were temporarily closed at the end of March, reopening in May in Germany, and from July and through into August in the UK. During the period of closure, total statutory revenue was 99% behind the prior year, driving overall H1 statutory revenue down 76.9% year-on-year
- The significant decline in revenue resulted in an adjusted loss before tax of £367.4m. Statutory loss before tax of £724.7m includes a non-cash impairment charge of £339.9m relating to goodwill in Germany, property, plant and equipment and right-of-use assets, as a result of impairment reviews triggered by the COVID-19 situation
- The business retains a strong balance sheet and liquidity position, enhanced by the successful £1bn Rights Issue completed in June. At the end of the first half, the business had access to £936.2m of cash and cash equivalents, an undrawn Revolving Credit Facility (RCF) of £950.0m, and up to £600.0m available under the Government's Covid Corporate Financing Facility (CCFF) scheme

Alison Brittain, Whitbread Chief Executive Officer, commented:

"Our performance following the reopening of our hotels and restaurants in the summer was encouraging and we continue to trade ahead of the market. Taking market share in the UK demonstrates the strength of our trusted Premier Inn brand and the benefits of our unique operating model.

Since March we have trebled our open hotel network in Germany to 21 hotels and today announced the acquisition of up to 15 more hotels. This takes our network of open and pipeline hotels to nearly 70 hotels, with broad geographic coverage across many major cities and towns.

Throughout the crisis we have taken decisive action and we continue to focus on protecting our guests, our teams and our business in light of the impact of the recent increase in regional and national restrictions. We are also improving the flexibility of our cost model to respond to changes in demand. As a result, we enter this second-wave period in a position of strength, with our customer scores higher than they have ever been, our market share growing in the UK and extending a meaningful network of hotels in Germany, giving us the opportunity to achieve national brand awareness and operate at scale.

I am extremely proud of and grateful to our teams for their resilience and for the part they have played in enabling us to successfully navigate this difficult period. I would like to take this opportunity to thank them for their tremendous hard work and commitment. I would also like to thank our shareholders for their ongoing support as our successful £1bn Rights Issue ensures that our strong balance sheet continues to be a source of competitive advantage and positions the business for long-term growth.

Whitbread's long-term strategy remains as relevant and compelling as ever. The impact of the COVID pandemic on the hotel sector will undoubtedly be significant and we are already seeing signs of distress and constraint in the competitive landscape. This is likely to accelerate the structural changes in the market with supply contraction and constrained investment amongst independent and budget branded operators in both the UK and Germany.

We hold a uniquely advantaged position in the UK market as the largest player with the strongest brand. Our financial flexibility and resilience, combined with a strong balance sheet, give us the ability and the confidence to invest with discipline and focus on strong long-term returns. We will be well placed to enhance our market leadership position even further in the UK, and accelerate our growth in Germany, supporting our guests and teams and driving long-term value for all our stakeholders."

For more information please contact:

Investor queries **|** Whitbread **|** investorrelations@whitbread.com
Media queries **|** Tulchan Communications, David Allchurch / Jessica Reid **|** +44 (0) 20 7353 4200

A webcast for investors and analysts will be made available at 8:00am on 27 October 2020 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.

CEO Overview | Well placed to drive long-term value

Protect and Restore: Ongoing decisive action that positions the business for a successful recovery

Whitbread entered FY21 in good shape, with a strong operational performance and excellent guest scores, with commercial initiatives helping drive a particularly strong end to the year, where we were trading ahead of the market. However, the start of the financial year was dominated by the impact of what was a rapidly evolving COVID-19 situation. In response, the business took rapid and decisive action to protect our teams, our guests and the business itself. Following Government guidance in the UK and Germany, our hotels and restaurants were temporarily closed at the end of March, with the exception of 39 hotels in the UK that remained open to provide accommodation for NHS staff and other front-line key workers during lockdown.

Given the material impact of these closures on our revenues, we took immediate action to reduce cash outflows. This included the elimination of all discretionary P&L spend, including our room refurbishment plans, marketing, non-essential training and staff recruitment, and the postponement of previously announced incremental investments. We placed over 27,000 of our employees on temporary furlough, and reduced capital expenditure to only essential hotel maintenance, core IT spend and the rebranding and refurbishing of the acquired Foremost hotels. Voluntary temporary pay cuts were taken by the Board and senior management team, and dividend payments were suspended. We also benefitted from the Government's decision to stop the payment of business rates for a 12-month period, which would have cost approximately £120m over the year.

Whilst we prioritised the protection of our cashflows, we also recognised the importance of acting responsibly in times of crisis and treating our stakeholders fairly. Examples of these actions included providing full cash refunds to our customers for all cancelled bookings, continuing to pay our suppliers, many of which are small or medium sized businesses, in a timely manner and paying the additional 20% of salaries on top of the Government furlough credit. We adhered to national minimum wage increases made for our hourly paid staff, while imposing a pay freeze for all other salaried staff. We also supported the community and national effort by making rooms available to NHS staff and other key workers at selected hotels, passing fleet delivery capacity to supermarkets and donating over 158 tonnes of food to charities following our restaurant closures.

Our teams have been fundamental in enabling us to navigate this very difficult period, and it was with great regret that, as part of our plans to ensure our business model has the flexibility to respond to changes in demand, we recently announced our intention to enter into a consultation process that could result in up to 6,000 redundancies in the UK. Decisions like these are extremely tough, but ultimately, we believe are in the best long-term interests of the business while demand remains subdued.

Liquidity and balance sheet

Whitbread entered the new financial year with balance sheet headroom, with a lease-adjusted net debt to FFO ratio of 2.6x, net debt of £322.9m, and substantial liquidity through its accessible cash of over £500.0m and access to an undrawn Revolving Credit Facility of £950.0m. Despite the mitigating actions identified above, the business faced into material cash outflows, and in response took decisive action to ensure the business emerges from the pandemic with a strong balance sheet and is in the best position possible. This included being confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF), with an issuer limit of £600m, and the successful £1bn Rights Issue that completed in June. These proceeds further strengthened our balance sheet and will help replace the cash outflow resulting from significantly reduced revenues, and return our balance sheet to a position of strength over time. With the extensions of local and regional lockdowns driving increased levels of uncertainty, we will have to continue to cautiously manage our cash flow. However, our balance sheet, supported by our freehold properties, gives Whitbread financial flexibility and is a real competitive advantage, enabling us to carefully invest in our strategy in a market where others will be constrained, especially in Germany. Our freehold property also reduces volatility in the current downturn and provides a flexible source of funding for investments and additional liquidity if required.

Rapid and safe reopening – Growing market share in the UK and accelerated growth in Germany

Following the updated UK Government advice that hospitality venues could reopen from 4 July, we were able to reopen our UK hotel and restaurant estate quickly and safely throughout July and into August. By the end of August, 98% of our UK hotels were open alongside all our restaurants. Our operating model, whereby revenues contribute to fixed costs at low occupancy levels, combined with the learnings from operating 39 hotels throughout lockdown, meant that we were able to move quickly and reopen ahead of the market.

Our strategy on reopening was to leverage our strong brand and direct distribution model, while also providing additional reassurance to our customers through a new enhanced cleaning and hygiene routine, allowing customers to “stay with confidence”. New flexible booking conditions and rate classes, providing guests with a greater range of cancellation and amendment options, also enabled customers to “book with confidence”.

During August, total UK accommodation sales percentage change was 4.3pp ahead of the M&E market[1] representing a 3.5pp increase in Premier Inn’s share of the total hotel market by revenue to 10.8%[2]. This outperformance accelerated in September to 6.0pp ahead of the M&E market[3]

Demand was strong in seaside and tourist locations, with occupancy levels of almost 80% during August in those locations. However, demand remained subdued across the rest of the hotel market, particularly in London and metropolitan areas. Across our entire UK estate, overall occupancy levels steadily improved on a weekly basis, averaging 51% in August, while UK Restaurant performance was boosted by the positive impact of the Eat Out to Help Out scheme. Total UK sales (accommodation and food and beverage) year-on-year change improved to down 38.5% in August, from down 82.0% in July.

In Germany, we were able to refurbish and rebrand 13 of the acquired Foremost hotels during the lockdown period, opening them to customers, alongside the reopening of our six existing hotels in May, trebling the number of open hotels to 19 by the end of the period, and 21 by the reporting date. Performance trends mirrored the UK, with strong demand and occupancy levels in tourist locations, while locations with a greater business skew remained at low occupancy levels. In August, total sales were over 300% ahead of last year, boosted by the acquired Foremost hotels, while occupancy recovered to 54%.

Overall financial performance in H1 reflects the closure of the vast majority of our business for a large part of the period driving overall statutory revenue down 76.9% year-on-year. As a result of the significant decline in revenue, adjusted loss before tax was £367.4m. Statutory loss before tax of £724.7m includes a non-cash impairment charge of £339.9m relating to goodwill on German acquisitions, property, plant and equipment and right-of-use assets, as a result of the ongoing COVID-19 situation. The quantum of the impairment charge is primarily driven by market volatility resulting in an increase in the discount rate that is based on the Weighted Average Cost of Capital (WACC) used in the impairment calculation, and a reduction in anticipated cashflows in the UK and Germany, particularly over the next 12-24 month period.

Despite the significant mitigating actions, the decline in revenue as a result of the COVID-19 situation, resulted in a cash outflow before shareholder receipts and debt repayments in the first half of £461.7m. The business, however, retains a strong balance sheet and liquidity position, enhanced by the successful £1bn Rights Issue completed in June. At the end of the first half, the business had access to £936.2m cash and cash equivalents, to an undrawn RCF of £950.0m, and up to £600.0m available under the Government’s CCFF scheme.

Driving long-term value

Whitbread’s long-term strategy is highly relevant post COVID-19

The impact of COVID-19 will be material on our sector, especially on the significant independent segment and on new branded supply growth. Despite this, Whitbread’s long-term strategy for value creation in the UK and internationally remains unchanged, and our operating model structurally and competitively advantaged.

Whitbread’s strategic priorities remain consistent with its proven plan to create sustainable shareholder value over the long-term. Whitbread expects to achieve long-term growth in earnings and dividends, combined with strong return on capital through disciplined execution in three key areas:

- **Grow our market share in the UK:** by continuing to grow and innovate Premier Inn, by leveraging the competitive advantages of our operating model and capitalising on the enhanced structural opportunities that are expected to exist post COVID-19
- **Grow at scale in Germany**: by replicating Premier Inn’s UK success story
- **Enhancing the capabilities to support long-term growth**: by ensuring we have financial flexibility, a cost-base that appropriately reflects demand levels, and acting responsibly through our Force for Good programme

Whitbread’s vertically integrated model, which combines the ownership of property, hotel operations, brand, and inventory distribution has enabled Premier Inn to grow at a significantly faster pace than competitors, deliver a consistently superior customer experience and generate a strong return on capital for shareholders over the last 15 years. The business believes this operating model is the optimal approach to access the growth opportunity in the budget hotel sector.

These factors will enable the business to perform well in the UK and take market share, and to capitalise on the material growth opportunity in Germany. These strong fundamentals, combined with an appropriate capital structure, will enable Whitbread to deliver long-term sustainable returns on incremental investments and drive long-term value.

1) Grow our market share in the UK: Premier Inn is best-placed to capitalise on the recovery opportunity and reinforce our market-leading position

Compelling structural growth opportunities

The UK hotel market is characterised by long-term migration from independent to budget branded hotels. Between 2010 and 2019 independent hotels' market share fell 9 percentage points in the UK, while Premier Inn's market share of rooms supply of the total market grew from 6% to 11%. Despite this decline, the independents sector still represents 48% of the UK market. Post COVID-19, the decline in independents' share of the market is expected to accelerate as demand significantly weakens and structural cost pressures persist. We are already seeing clear signs of distress in both the independent sector and the budget branded sector, and we expect to see competitors begin to exit the market as the impact of the Government's financial support schemes begin to lessen. Premier Inn is well placed to capitalise on the expected contraction in competitor supply and to take market share.

Budget branded sector is structurally advantaged

The budget branded hotel sector is the highest growth segment in the hotel market and has proved more resilient in previous downturns. Budget branded demand (total rooms booked) has grown faster than the rest of the sector in every year from 2009 to 2018 including material outperformance between 2009 and 2011. The midscale and economy segment is also outperforming in the current COVID-19 crisis, with total sales change around 17pp[4] ahead of the rest of the market from the start of August to the start of October.

Broad customer reach

Premier Inn's UK customer base is very broad with a roughly even split of business and leisure customers. Our business customers include a significant proportion of manual professions i.e. those workers who need to be physically present to perform their jobs, while our "white collar" workers tend to be travelling for business-to-business reasons. In a post COVID-19 world, it is highly likely that the need for these guests to travel will remain. Premier Inn also under indexes on Group business bookings (e.g. conferences) and is therefore less exposed to those areas of business travel that may see a structural shift to virtual meetings.

Our leisure guests travel for a very wide range of reasons, from those that are event-driven (e.g. weddings, sporting events, theatre breaks) to weekends away with friends, visiting friends and family, to short weekend breaks with the family and through to those taking longer holidays in our tourist destinations. The strong leisure demand evidenced during July and August demonstrates that people's propensity to travel for domestic leisure, when allowed, remains high.

Our geographic spread, with over 80% of our rooms sold in the UK regions combined with our domestic focus (90% of guests are based in the UK) means that we are exposed to the areas that are, and will, recover quickest.

Strong brand

Premier Inn is consistently rated as the strongest hotel brand in the UK. Unlike the majority of other large-scale hotel operators, who operate franchise models, ownership of the Premier Inn brand enables the provision of a consistently high-quality customer offering across the entire Premier Inn hotel network, which drives market-leading brand and customer scores. In the most recent YouGov hotel brand index survey[5], Premier Inn was voted number one for customer satisfaction, impression, value and likelihood-to-recommend. The strength of the brand makes Premier Inn the first choice for more travellers.

Direct distribution

Premier Inn's direct digital distribution model (with 97% direct distribution in FY20) is industry-leading and ensures that Premier Inn's gross RevPAR is similar to net RevPAR achieved after cost of sales, unlike independents or most other brands, which pay high commission rates to third parties such as online travel agents. Direct distribution also provides complete ownership of the customer relationship driving significantly lower acquisition and retention costs.

Best-in-class operating model

Premier Inn's unique operating model provides a clear competitive advantage, enabling the delivery of a winning customer proposition that will have a strong appeal to customers in both the current and post pandemic environments. The key components of the model that drive our competitive advantage, combined with our strong brand and direct distribution, are:

Scale advantage: Our vertically integrated model provides increased control of network planning and property development aspects of our hotel operations. This means we can efficiently access locations where we see opportunities to expand, which has enabled Premier Inn to almost double its number of rooms in the UK since 2010 to become the UK's largest hotel network. We therefore have more hotels in locations where our customers want to stay, and we are able to drive economies of scale by leveraging our scale to keep unit costs low and by rationalising management overheads.

Operational control: Ownership of all aspects of our hotel operations ensures greater control over the customer experience, resulting in a high-quality offering delivered on a relentlessly consistent basis throughout the estate. The offering is also continually evolving through innovative new products such as hub and Premier Plus. The operating model delivers best-in-class operational performance, as evidenced by high staff retention levels and the very high customer satisfaction scores the business regularly achieves.

Property flexibility: A willingness to be flexible with respect to freehold or leasehold acquisitions ensures new sites are in the best locations and have the optimal size and format. Ownership of around 60% of the hotel estate gives Premier Inn control over the initial development of the hotel, and subsequently how it is maintained, extended, or re-developed. Further opportunities remain to optimise the network by individual asset, as well as more broadly through catchment optimisation and creating a more optimal portfolio of assets. Whitbread's asset-backed balance sheet also supports a strong financial covenant, which means that in competitive bid situations for new leasehold developments, Premier Inn is often the preferred tenant and can secure more favourable lease and rental terms. Our freehold ownership reduces earnings volatility in the current downturn and provides Whitbread with a flexible source of funding in the event of further cash requirements for investments or to further protect our liquidity.

These components combine to deliver a winning customer proposition, providing the customer with more choice, value for money, outstanding product quality, excellent customer service and consistently high hygiene standards. Going forward, this offering positions us very well to take market share, as customers are likely to seek value, quality, and the familiarity of their most trusted brands.

2) Grow at scale in Germany: A compelling opportunity to replicate Premier Inn's UK success

Premier Inn's aim in Germany is to leverage the strengths and capabilities of the UK business to create the number one budget brand in the German hotel market. We believe all of the six UK success factors detailed previously are either already present in Germany, or, in the case of the "strong brand" and "direct distribution model" there is a compelling opportunity for Premier Inn to develop those characteristics as the business grows in scale. Our current pipeline of just over 10,000 rooms in Germany equates to around 1% market share (compared to c.11% in the UK). At this early stage in the businesses' growth, we have an initial line-of-sight to around 60,000 rooms, which would equate to around 5% market share, still less than half that achieved in the UK.

The German hotel market has many attractive characteristics. The market is a third larger than the UK and even more fragmented, with almost three-quarters of the market still consisting of small independent operators, which are experiencing a structural decline to the benefit of branded hotels. Despite this, the branded budget hotel sector still only represents 9% of the market, compared to 28% in the UK, as franchise operators have historically struggled to expand with limited property financing options available. Consequently, Premier Inn's vertically integrated model and willingness to invest capital in expansion provides a strong advantage in the budget market, supported by replicating the strong quality and value credentials from the UK.

As in the UK, the impact of COVID-19 will accelerate the decline of independents and other budget branded operators, and this environment will present greater opportunities to invest in or acquire assets that will deliver strong returns in the long-term.

There are already clear signs of competitor distress in the market, and this is evidenced by the announcement today of the signing of up to 15 hotels in Germany that are currently operating under the Centro, Ninetynine and Fourside brands, of which 8 are open and 7 are pipeline. The transaction involves the transfer of leases from the existing operator to Whitbread, and is subject to competition clearance by the German Federal Cartel Office, and other conditions that must be satisfied by the existing operator, which if all cleared, would see the hotels become part of the Premier Inn estate in December 2020. The hotels were selected according to our Premier Inn property criteria and are a good fit with the existing estate, with all occupying prominent locations across Tier 1 and Tier 2 cities and towns. The total investment for the deal is expected to be €40-50m, mainly driven by the investment required to refurbish and rebrand the hotels to Premier Inn which is anticipated to happen in the first half of 2021. In the meantime, the open hotels will continue to operate in the Premier Inn estate under their existing branding. The economics of this transaction demonstrate the enhanced structural opportunities that now exist in the German market, that Premier Inn is well-placed to take advantage of.

The German operating model will replicate that used so successfully in the UK, built on operational control and a flexible approach to property, driving a winning customer proposition that appeals to both business and leisure customers. Direct distribution is already over 90% in our German business, and we have had a good start operationally in our organic hotels, driving very high customer satisfaction scores.

During the early-growth stages of the Premier Inn business in Germany, brand awareness campaigns have been focussed on the local and regional areas in which the hotels are located. Following the acquisition of 19 hotels from the Foremost Hotel Group in February, and the subsequent rebranding and refurbishing of 13 of those hotels, the open network, which now stands at 21 hotels, and are located in most major cities in Germany, provides a national network, and a basis from which the business can increase its scale. This, in-turn, helps drive brand awareness, and as the open network continues to grow, will make future nationwide marketing campaigns viable. The quality of the hotel and room offering, which is driving very high customer scores, is also a key component in driving brand awareness.

The open and committed pipeline in Germany now stands at over 10,000 rooms across 53 hotels, of which 19 hotels were open at the end of H1, increasing to 21 hotels open by mid-October. Successful competition clearance on the signing of up to 15 hotels currently operated by Centro Hotel Group will increase the Premier Inn Germany total open and committed pipeline to 68 hotels and over 12,000 rooms, of which 29 hotels will be open.

To date we have committed almost £800m of capital to the German market. Given the scale and characteristics of this market, and despite the significant impact COVID-19 has had on the sector, we remain focused on continuing our expansion in Germany and delivering on our ambition to be the number one budget hotel operator in that market.

3) Enhancing the capabilities to support long-term growth:

Lean and agile cost model

Whitbread has a strong track-record of delivering material cost efficiencies, including £45.0m of cost savings delivered in FY20. Since the start of the pandemic, the business's approach to generating efficiencies has adapted to respond to the low demand environment. Our initial priority was to secure cash savings through the cancellation or deferral of non-discretionary spend to help improve the liquidity position of the business. As we move into the "Restore" phase of our strategy, our focus is now on ensuring that the business model has the flexibility to respond to changes in demand, and that our overall cost-base reflects the current demand environment. As part of this plan, we recently announced that we would enter into a consultation process that could result in up to 6,000 redundancies in the UK. We also continue to drive efficiencies through developing our international sourcing capability, leveraging technology to drive both marketing and labour scheduling effectiveness and optimising the UK estate.

Financial flexibility

Whitbread's balance sheet and liquidity position was further enhanced by the £1bn Rights Issue successfully completed in June 2020. Covenant waivers were agreed with our lenders and the Whitbread Pension Fund meaning that the existing covenants are next tested in March 2022 and replaced by temporary covenants until that date. This, together with Whitbread's freehold properties, gives us the financial flexibility to protect our liquidity and pursue our strategy of both organic and inorganic growth when the time is right.

A Force for Good

Whitbread's sustainability programme, Force for Good, ensures that being a responsible business is integrated throughout the way Whitbread operates and is crucial to our long-term success. It is a forward-looking strategy with an ambitious vision to "enable everyone to live and work well". We will "do business the right way" by supporting our teams, the environment, our communities, suppliers and our guests.

We benchmark our performance each year against how other companies are doing using the Dow Jones Sustainability Index. Whitbread's results for 2019 saw us placed second in our industry for the second year running, a long way above many of our key competitors in food service sectors. As well as being awarded a Lotus Award for the second year running for our Force for Good programme, we maintained a CDP Climate Change score of B, which was a great result as the sector average performance has reduced from B- to C. These are excellent results that highlight our commitment to become a more sustainable business.

Being a Force for Good is not a principle that we leave behind when we face challenges, it is a central part of our ethos. Through the COVID-19 crisis we have been contributing our skills, experience and facilities to support our own people and our communities across the country. During the national lockdown, whilst we shut our restaurants and the majority of our hotels for business, we focused our efforts on helping in the national effort by keeping hotels open that are located near hospitals for use by NHS staff and other front-line key workers. We also transferred our vehicle delivery capacity to supermarkets to help their supply chains, paid all of our suppliers in a timely manner and donated over 158 tonnes of food to charities, producing c.335,000 meals for those in need, following our restaurant closures.

After many years of focus and action on sustainability matters, we have recently created a renewed and ambitious approach. We have set more stretching goals to keep Whitbread at the forefront of sustainable business in the UK, including the removal of all unnecessary single use plastics by 2025 and a 50% reduction in food waste by 2030.

We continue to strive to create an environment where there are no barriers to entry and no limits to ambition. Our award-winning induction enables those without hospitality experience, but with the right behaviours, to quickly learn and adapt to our hotels and restaurants. Our apprenticeship offer has gone from strength to strength. In 2019, we saw a 90% increase in the number of apprentices, with 80% on track to achieve their apprenticeship in 2020.

We are delighted to be supporting another ground-breaking project at Great Ormond Street Hospital. We have been proud supporters of the hospital since 2012 and have seen first-hand the extraordinary difference being made to the lives of the young children and families receiving treatment there. This year our teams have raised more than £0.5m for our charity partner.

We buy 100% renewable electricity for all the hotels and restaurants we own in the UK, and over 20% of our properties have electricity-generating solar panels installed. We were delighted to win an Edie Energy Efficiency Project of the Year award for our battery powered hotel built last year in Edinburgh, which was built in a bid to improve energy efficiency, secure power supply and enable energy cost savings.

As part of our Force for Good programme, we are committed to respecting the human rights of workers across our supply chains. We will continue to strive to enable people to live and work well across our value chains, as well as recognise the importance of operating a sustainable and traceable supply chain.

Current trading and sensitivity

Premier Inn UK's occupancy increased from 51% in August to 58% in September and our total accommodation sales recovery year-on-year was c.6% ahead of the midscale and economy market in September. We continued to see good leisure bookings and a pick-up in business-to-business sales, albeit from a low base.

Since the Government announcement in early October instructing working from home where possible and the recent regional lockdowns, we have seen a slowdown in the market performance. Our performance has remained ahead of the market, but with the fast-changing nature of the COVID-19 environment, near-term visibility remains limited. Despite this, profit and cash sensitivities for this year remain broadly consistent with those articulated in May.

		Previous sensitivity guidance (21 May 2020)	**Updated sensitivity guidance**
Sales	Total sales pp change	1% = £18m PBT including restaurants	*Unchanged*
Cost *(includes savings from gov support schemes)*	Inflation / one-off investment /efficiencies / cost reductions	Significant reduction in discretionary spend offsetting inflationary headwinds	*Unchanged*
	Business rates holiday	c.£120m	*Unchanged*
	Job retention scheme grant (see below)	£70-85m during H1 FY21	£85m during H1 FY21 and net £5m-£10m during H2
Cash	Capital spend – development	c.(£180)m	*Unchanged*
	Capital spend – refurbishment / R&M	c.(£70)m	*Unchanged*
	Capital spend H1 / H2 split	c.(£130)m / c.(£120)m	c.(£120)m / c.(£130)m
	Capital spend – German acquisition	-	c.£40m (over half relates to cost of refurbishment)
	Working capital	H1 outflow of £100m	H2 inflow of c.£28m in addition to any changes in level of customer deposits
	Cashflow relating to adjusting items	-	c.£20m outflow
	Dividend	Future dividend payments suspended during the period of covenant waivers	*Unchanged*

The business expects to benefit from the Government's Job Retention scheme in the second half to the value of around £15m - £20m, the benefit of which is partly offset by a c.£10m impact of the later than anticipated reduction in staff costs, resulting in a net £5m - £10m benefit.

Notes:
1: STR data, full inventory basis, dates 31/7/20 to 27/08/20 , M&E market excludes Premier Inn
2: STR data, revenue share of total UK market, dates 31/7/20 to 27/08/20
3: STR data, full inventory basis, dates 28/08/20 to 01/10/20 , M&E market excludes Premier Inn
4: STR data, M&E includes Premier Inn, 'Rest of market' is total market excluding M&E
5: YouGov BrandIndex. Scores measured on 26/8/20 on a 12-week moving average

Premier Inn UK[1]

£m	H1 FY21	H1 FY20	*Change*
Statutory revenue	245.0	1,074.3	*(77.2)%*
Other income (excl rental income)[2]	85.5	6.6	*1,195.5%*
Operating costs before depreciation, amortisation & rent	(451.1)	(633.0)	*28.7%*
Adjusted EBITDAR†	**(120.6)**	**447.9**	***(126.9)%***
Net turnover rent and rental income	2.5	0.5	*400.0%*
Depreciation: IFRS 16	(53.8)	(50.2)	*(7.2)%*
Depreciation and amortisation: Other	(83.0)	(80.0)	*(3.8)%*
Adjusted operating (loss) / profit†	**(254.9)**	**318.2**	***(180.1)%***
Interest: IFRS 16	(58.2)	(57.0)	*(2.1)%*
Adjusted (loss) / profit before tax†	**(313.1)**	**261.2**	***(219.9)%***

Premier Inn UK[1] key performance indicators

	H1 FY21	H1 FY20	*Change*
Number of hotels	817	810	*0.9%*
Number of rooms	78,470	76,837	*2.1%*
Committed pipeline (rooms)	12,935	12,928	*0.1%*
Direct booking	99%	98%	*100bps*
Occupancy	20.3%	78.3%	*(5,800)bps*
Average room rate†	£53.58	£64.07	*(16.4)%*
Revenue per available room†	£10.87	£50.19	*(78.3)%*
Sales growth:			
Accommodation	*(77.7)%*		
Food & beverage	*(76.3)%*		
Total	*(77.2)%*		
Like-for-like† sales growth:			
Accommodation	*(78.2)%*		
Food & beverage	*(76.6)%*		
Total	*(77.6)%*		

1: Includes one site in each of: Jersey, Ireland & the Isle of Man
2: Includes government support – see note 6 of the accompanying financial statements for further details

Premier Inn UK statutory revenue was down 77.2% in the first half, reflecting the closure of the UK business for a large part of the period. Our hotels and restaurants were temporarily closed, in-line with Government instructions, from the end of March until the start of July, with the exception of 39 hotels that were kept open to provide accommodation for NHS staff and other key workers. During this lockdown period, total revenue was down 99%. From 4 July, hotels in the UK were permitted to accept non-key worker guests, and restaurants were allowed to reopen. Our ownership business model, combined with our powerful brand and direct distribution model, enabled us to reopen quickly and ahead of our competitors. By the beginning of August, 97% of our hotels had reopened, alongside all of our restaurants.

Post reopening, occupancy levels steadily improved, with August occupancy levels averaging 51%. Demand was strong in seaside and tourist areas, with occupancy levels of almost 80% during August in those locations.

However, demand remained subdued across the rest of the hotel market, particularly in London and other metropolitan areas. Around two thirds of our revenue in August came from leisure guests, and a third from business guests, with business demand skewed to those with manual professions. Premier Inn hotel sales growth in August was 4.3pp ahead of the Midscale and Economy market[1], demonstrating the quality of our operations and the strong appeal of our winning customer proposition.

Total food and beverage sales were down 76.3% for the period. Performance was boosted in August by the impact of the Eat Out to Help Out scheme; the Government scheme that contributed towards the price of meals on every Monday, Tuesday and Wednesday throughout the month.

Operating costs reduced by 28.7% to £451.1m, in-line with guidance, and reflected a reduction in revenue-driven variable costs (primarily food and beverage costs of sales) and other cost initiatives announced at the start of the pandemic, including the postponement and cancellation of all non-essential costs.

During the first half, two new hotels were opened and five hotels permanently closed, bringing the estate total to 817. Our committed pipeline remains largely unchanged at 12,935 rooms. This new capacity underpins our opportunity to take market share in the UK in the medium to long-term as competitor supply contracts.

Adjusted loss before tax for the period was £313.1m, down 219.9% year-on-year reflecting the closure of the majority of sites during the period.

Notes:
1: STR data, full inventory basis, dates 31/7/20 to 27/08/20 , M&E market excludes Premier Inn

Premier Inn Germany

£m	H1 FY21	H1 FY20	*Change*
Statutory revenue	5.5	3.7	*48.6%*
Other income (excl rental income)[1]	0.5	0.0	*n.m.*
Operating costs before depreciation, amortisation and rent	(22.6)	(8.9)	*(153.9)%*
Adjusted EBITDAR†	**(16.6)**	**(5.2)**	***(219.2)%***
Net turnover rent and rental income	2.0	0.0	*n.m.*
Depreciation: IFRS 16	(7.2)	(0.1)	*(7,100)%.*
Depreciation and amortisation: Other	(1.9)	(0.5)	*(280.0)%*
Adjusted operating (loss) / profit†	**(23.7)**	**(5.8)**	***(308.6)%***
Interest: IFRS 16	(2.8)	0.0	*n.m.*
Adjusted (loss) / profit before tax†	**(26.5)**	**(5.8)**	***(356.9)%***

Premier Inn Germany key performance indicators

	H1 FY21	H1 FY20	*Change*
Number of hotels	19	3	*533.3%*
Number of rooms	3,204	589	*444.0%*
Committed pipeline (rooms)	6,821	7,280	*(6.3)%*
Direct booking	99%	100%	*(100)bps*
Occupancy	27.5%	60.2%	*(3,270)bps*
Average room rate†	£39.37	£64.15	*(38.6)%*
Revenue per available room†	£10.83	£38.61	*(72.0)%*
Sales growth:			
Accommodation	*66.3%*		
Food & beverage	*(12.0)%*		
Total	*51.7%*		
Like-for-like† sales growth:			
Accommodation	*(61.7)%*		
Food & beverage	*(79.4)%*		
Total	*(65.0)%*		

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

We entered FY21 with six operational hotels, following the opening of Munich City in Q4 FY20. These hotels were trading well with strong operational performance ahead of the enforced lockdown at the end of March. During the lockdown period, we were able to refurbish and rebrand 13 of the acquired Foremost hotels, meaning that when permitted by the German Government in May, we were able to reopen a total of 19 hotels. A further two hotels opened in October in Leipzig and Stuttgart. Post reopening, performance in Germany was stronger in tourist-led locations such as Hamburg and Freiburg and weaker in those locations with a traditionally higher business mix. Overall statutory revenue was 48.6% ahead of last year, with the impact of the increased estate size (19 hotels open by the end of the period, compared to three hotels in H1 FY20) more than offsetting the impact of the lockdown closures. Operating costs increased by £13.7m to £22.6m, also due to the increased estate size. IFRS 16 depreciation costs increased by £7.1m to £7.2m, reflecting the fact that all new opened properties are leasehold. Combined with other depreciation and amortisation costs of £1.9m, and IFRS 16 interest costs of £2.8m, the adjusted loss before tax for the period increased by £20.7m to £26.5m.

The total open and committed pipeline estate now stands at 53 hotels and over 10,000 rooms, an increase of one hotel from the start of the year; the small increase being as a result of the temporary pausing of our expansion actions during the lockdown period. We have subsequently announced the signing of up to 15 leases for hotels currently operated by Centro Hotel Group, that subject to German competition authority clearance, will increase the open estate to 29 hotels and the total pipeline to 68 hotels. Going forward, we will continue to assess both organic and inorganic opportunities to exploit the enhanced structural opportunities that exist in Germany.

Central and other costs

£m	H1 FY21	H1 FY20	*Change*
Operating costs before depreciation, amortisation and rent	(16.5)	(16.0)	*(3.1)%*
Adjusted operating (loss) / profit†	**(16.5)**	**(16.0)**	***(3.1)%***
Net finance costs	(11.3)	(3.8)	*(197.4)%*
Adjusted (loss) / profit before tax†	**(27.8)**	**(19.8)**	***(40.4)%***

Central operating costs of £16.5m were £0.5m higher than last year. Net finance costs increased by 197.4% to £11.3m, as a result of the prior year charge being net of interest received on the proceeds from the Costa disposal that was held as cash on deposit for part of the period.

Financial review

- The financial performance in H1 reflects the closure of the vast majority of our business for a large part of the period. Our hotels and restaurants were temporarily closed at the end of March, reopening in May in Germany, and from July and through into August in the UK. During the period of closure, total statutory revenue was 99% behind the prior year, driving overall H1 statutory revenue down 76.9% year-on-year
- The significant decline in revenue resulted in an adjusted loss before tax of £367.4m. Statutory loss before tax of £724.7m includes a non-cash impairment charge of £339.9m relating to goodwill on acquisitions in Germany, property, plant and equipment and right-of-use assets, as a result of impairment reviews triggered by the COVID-19 situation
- The business retains a strong balance sheet and liquidity position, enhanced by the successful £1bn Rights Issue completed in June. At the end of the first half, the business had access to £936.2m cash and cash equivalents, and to an undrawn RCF of £950.0m

Financial highlights

£m	H1 FY21	H1 FY20	Change
Statutory revenue	250.8	1,084.0	*(76.9)%*
Transitional service agreement revenue	0.3	6.0	*(95.0)%*
Adjusted revenue†	**250.5**	**1,078.0**	***(76.8)%***
Other income (excl rental income)[1]	86.0	6.6	*1,203.0%*
Operating costs before depreciation, amortisation and rent	(490.2)	(657.9)	*25.5%*
Adjusted EBITDAR†	**(153.7)**	**426.7**	***(136.0)%***
Net turnover rent and rental income	4.5	0.5	*800.0%*
Depreciation: IFRS 16	(61.0)	(50.3)	*(21.3)%*
Depreciation and amortisation: Other	(84.9)	(80.5)	*(5.5)%*
Adjusted operating (loss) / profit†	**(295.1)**	**296.4**	***(199.6)%***
Net finance costs (excl IFRS 16)	(11.3)	(3.8)	*(197.4)%*
Interest: IFRS 16	(61.0)	(57.0)	*(7.0)%*
Adjusted (loss) / profit before tax†	**(367.4)**	**235.6**	***(255.9)%***
Adjusting items	(357.3)	(15.7)	*(2,175.8)%*
Statutory (loss) / profit before tax	**(724.7)**	**219.9**	***(429.6)%***
Tax credit / (expense)	64.2	(47.7)	*(234.6)%*
Statutory (loss) / profit after tax	**(660.5)**	**172.2**	***(483.6)%***

1: Includes Government support – see notes 2 & 6 of the accompanying financial statements for further details

Statutory Revenue

Statutory revenue of £250.8m was 76.9% behind last year as a result of the lockdown closure of sites across the UK and Germany. Sites reopened in May in Germany, and throughout July and August in the UK.

Adjusted EBITDAR

Other income of £86.0m includes £85.5m of benefit recognised in respect of the UK Government's Job Retention scheme (furlough). Operating costs of £490.2m were 25.5% lower than last year driven by the reduction in revenue-related variable costs, primarily food and beverage costs of sale, combined with the postponement or deferral of all non-essential spend. As a result of the hotel and restaurants closures, and the subdued market post reopening, adjusted EBITDAR was a loss of £153.7m.

Adjusted operating loss

The leasehold estate grew by eight sites in the UK compared to the same period in the prior year and increased by 15 sites in Germany. This resulted in a £10.7m or 21.3% increase in IFRS 16 depreciation charges to £61.0m.

Other depreciation and amortisation increased by £4.4m to £84.9m, driven by new openings. The adjusted operating loss of £295.1m compared to a profit of £296.4m in H1 last year.

Net finance costs

Net finance costs (excl IFRS 16) were £11.3m (H1 FY20: £3.8m). This was £7.5m higher than the prior year due to the prior year charge being net of interest received on the cash balance held from the proceeds from the sale of the Costa business. IFRS 16 lease interest of £61.0m was £4.0m above last year primarily driven by the opening of 15 leasehold sites in Germany.

Adjusting items

£m	H1 FY21 (charge) / credit
Non-cash items:	
Impairment - goodwill	(238.8)
Impairment & write offs - property, plant and equipment, right-of-use assets and other intangibles	(101.1)
Impairment - investment in joint ventures	(8.2)
Aborted acquisition costs	(12.4)
Costa separation	4.9
Property & other provisions	0.3
	(355.3)
Cash items:	
Insurance proceeds	1.8
Proceeds from disposal of property, plant and equipment	1.5
TSA income	0.3
TSA costs	(0.3)
Restructuring costs - support centre	(5.3)
	(2.0)
Total	**(357.3)**

Total adjusting items before tax were £357.3m, including a non-cash charge, primarily as a result of COVID-19, of £339.9m in respect of impairments of goodwill on German acquisitions, property, plant & equipment and right-of-use assets. In the Group's FY20 full year annual report and accounts, the Group stated in note 34 (Events after the balance sheet date) that the assumptions used at the year end were no longer appropriate and that the impacts of COVID-19 will result in further indicators of impairment across the Whitbread business.

Subsequently, and in respect of the ongoing COVID-19 situation, impairment reviews were conducted as part of the H1 FY21 reporting process, resulting in charges of £238.8m relating to goodwill arising upon acquisition of the Foremost Hospitality Hiex GmbH and £101.1m relating to property, plant and equipment, right-of-use assets and other intangibles. The quantum of the impairment charges is primarily driven by:

- An increase in the discount rate that is based on the Weighted Average Cost of Capital (WACC) of a typical market participant. The discount rate has increased since the year end, reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation, and;
- A reduction in anticipated cashflows in the UK and Germany, particularly over the next 12-24 month period
- Sites where the Group has decided not to proceed with the project

Further adjusting item charges driven by the COVID-19 pandemic include an impairment review on our UK joint venture ("Pure") resulting in a non-cash charge of £8.2m, the completion of a head office restructure programme incurring £5.3m of costs to achieve, and the decision not to proceed with a call option on a proposed acquisition in Germany, resulting in a charge of £12.4m.

Further details on the non-COVID-19 related adjusting items can be found in note 4 of the accompanying financial statements.

Taxation

The adjusted tax credit for the period was £49.0m compared to a tax charge of £49.0m in H1 FY20, driven by the adjusted loss before tax in H1 of £367.4m. This represents an adjusted effective tax rate of 13.3%. Following the UK Government's 2020 budget announcement that corporation tax rates would remain at 19%, rather than reduce to 17% as had been previously indicated, an additional tax charge relating to FY20 profit has been recognised in the first half. The statutory tax credit for the period was £64.2m (FY20: (£47.7)m), representing an effective tax rate of 8.9%, and includes a tax credit on adjusting items of £15.2m.

Statutory loss after tax

Statutory loss after tax for the period was £660.5m, down 483.6% year on year driven by the closure of the majority of the business during H1, impairment charges primarily as a result of COVID-19 and offset by the tax credit recognised.

Earnings per share

	H1 FY21	H1 FY20[1]	*Change*
Adjusted basic (loss) / earnings per share†	(181.9)p	97.1p	*(287.3)%*
Statutory basic (loss) / earnings per share	(377.4)p	89.6p	*(521.2)%*

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

Adjusted basic loss per share of 181.9p and statutory basic loss per share of 377.4p reflect the adjusted and statutory losses reported in the period, driven by the closure of the majority of our sites for a large part of the period.

Earnings per share figures for the comparative period have been restated following the Rights Issue completed in June, in accordance with IAS 33 Earnings per Share. Full details are included in note 8 of the accompanying financial statements.

Dividend

Whitbread's dividend policy is to grow the dividend broadly in-line with earnings across the cycle. However, dividends will not be paid during the current covenant waiver period, which lasts until March 2022, as a condition agreed with Whitbread's lenders and pension trustees. The Board hopes to return to paying dividends again following the normalisation of the Group's financial position and performance.

Cashflow

£m	H1 FY21	H1 FY20
Adjusted EBITDAR†	**(153.7)**	**426.7**
Change in working capital	(129.0)	(10.3)
Transaction and separation costs	0.0	(51.0)
Capital expenditure: maintenance	(40.0)	(78.1)
Interest (excl IFRS 16)	(4.2)	2.2
Net turnover rent and rental income	4.5	0.5
IFRS 16 interest and lease repayments	(105.4)	(91.3)
Corporate taxes	12.6	(1.9)
Other	28.1	0.2
Discretionary free cashflow†	**(387.1)**	**197.0**
Pension	(2.2)	(276.9)
Capital expenditure: expansionary	(81.1)	(118.2)
Acquisitions	1.4	0.0
Disposal Proceeds	1.5	3.7
Other	5.8	(21.7)
Cashflow before shareholder returns / receipts and debt	**(461.7)**	**(216.1)**
Dividends	0.0	(116.3)
Shares purchased through buyback programme & tender offer	0.0	(2,328.4)
Proceeds from Rights Issue	981.0	0.0
Repayment of long-term borrowings	(75.1)	0.0
Net cash flow	**444.2**	**(2,660.8)**
Opening net (debt) / cash†	(322.9)	2,583.3
Repayment of long-term borrowings	75.1	0.0
Closing net cash / (debt) †	**196.4**	**(77.5)**

Net cash outflow before shareholder receipts and debt repayments for the period was £461.7m, approximately £150m better than the previous guidance issued in May. This improvement versus guidance was driven by the earlier opening of our hotels than was anticipated in our previous base case, which assumed hotels and restaurants would remain closed or at low occupancy until September.

The £129.0m working capital outflow was primarily driven by a £57.8m net movement on customer deposits, reflecting the refunding of deposits at the start of the lockdown period, partially offset by the subsequent receipt of customer deposits for bookings received by the end of the half. £27.9m of the movement was driven by outstanding amounts due from the Government in respect of the Job Retention Scheme and the Eat Out To Help Out scheme. An increase in our stock holding of personal protective equipment resulted in an additional £9.9m outflow, alongside the payment of our FY20 VAT creditor of £23.5m.

The £28.1m other inflow is driven by £15.8m of insurance proceeds, the reversal of non-cash charges of £5.2m share based payments and £4.5m share of loss from joint ventures.

Maintenance capital expenditure of £40.0m and expansionary capital expenditure of £81.1m was in-line with guidance, with these reduced levels reflecting the decision to postpone or defer all non-essential spend. IFRS 16 interest and lease repayments increased by £14.1m to £105.4m driven by the higher number of leasehold properties entering the estate, particularly in Germany.

A corporation tax rebate relating to FY20, combined with the anticipated lower profits in FY21 driving a reduction in FY21 corporation tax payments on accounts, resulted in a net tax cash inflow of £12.6m.

Total net cash inflow for the first half was an increase of £444.2m after accounting for the £981.0m proceeds of the Rights Issue that completed in June, and the repayment of £75.1m of US private placement notes maturing in August 2020.

Debt funding facilities & liquidity

£m	Facility	Utilised	Maturity
US private placement notes	(25.0)	*(25.0)*	2021
US private placement notes[1]	(58.5)	*(58.5)*	2022
Revolving Credit Facility	(950.0)	*0.0*	2022
Bond	(450.0)	*(450.0)*	2025
US private placement notes	(200.0)	*(200.0)*	2027
	(1,683.5)	***(733.5)***	
CCFF (uncommitted and undrawn) [2]	(600.0)	0.0	2021
	(2,283.5)	**(733.5)**	
Cash and cash equivalents		936.2	
Total facilities utilised, net of cash[1]		**202.7**	
Net cash†		***196.4***	
Net cash and lease liabilities†		***(2,765.2)***	
Lease debt†		***(1,401.6)***	

1: Includes impact of hedging using cross currency swaps and excludes unamortised fees associated with debt instrument
2: CCFF would reduce to £300.0m if Whitbread is downgraded below BBB-

Whitbread entered the financial year with a strong balance sheet, low leverage and strong liquidity. This position was further enhanced by the £1bn Rights Issue, successfully completed in June, and by the Group being confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF), with an issuer limit of £600.0m that is undrawn. The business is also backed by a valuable freehold property estate.

The Group announced in May that an 18-month waiver for debt and interest related covenants had been accepted by lenders for both the Revolving Credit Facility and the US private placement debt, meaning that the existing covenants are next tested in March 2022. The existing covenants have been replaced during the covenant waiver period with two new tests: net debt (excluding lease liabilities) must be less than £2bn and liquidity headroom to available facilities must be greater than £400m.

During the period, £75.1m of US private placement notes that matured in August 2020 were repaid.

With the current extensions of local and regional lockdowns driving increased levels of uncertainty and the reinstatement of the covenant tests in March 2022, we will continue to carefully manage our cash flow. However, the Group's strong balance sheet, access to over £2bn of liquidity, and the potential to access funding through our freehold estate means there is financial flexibility, with good headroom to the temporary covenants.

Capital investment

£m	H1 FY21	H1 FY20	Last 2 years
UK maintenance and product improvement	40.0	78.1	250.7
New / extended UK hotels	34.8	70.9	340.8
Germany and Middle East	46.3	47.5	367.5
Total	**121.1**	**196.5**	**959.0**

Total capital expenditure in the first half was £121.1m, in-line with expectations, and reflecting the postponement or deferral of all non-essential capital expenditure. Excluding the Germany acquisition announced earlier, the Group expects capital expenditure for FY21 to be in the region of £250m as previously guided. In addition, the acquisition of the 15 leasehold hotels in Germany will require around £40m of capital, of which 50% is the expected cost to refurbish each hotel.

Property backed balance sheet

Freehold / leasehold mix	Open estate	Total estate[1]
Premier Inn UK	61%:39%	55%:45%
Premier Inn Germany	24%:76%	25%:75%
Group	60%:40%	52%:48%

1. Open + committed pipeline

The current UK estate is 61% freehold and 39% leasehold, a mix that will change to 55% freehold and 45% leasehold as the existing pipeline is delivered. The higher leasehold mix in Germany reflects the start-up nature of the business, where securing optimal site location, particularly in city centres, to help build brand strength, is key.

Ownership of around 60% of the hotel estate gives Premier Inn control over the initial development of the hotel, and subsequently how it is maintained, extended, or re-developed. Whitbread's asset-backed balance sheet supports a strong financial covenant, which means that in competitive bid situations for new leasehold developments, Premier Inn is often the preferred tenant and can secure more favourable lease and rental terms. Our freehold ownership reduces earnings volatility in the current downturn and provides Whitbread with a flexible source of funding in the event of further cash requirements for investments or to further protect our liquidity.

Return on Capital

We are confident in our ability to deliver long-term sustainable returns on incremental investment:

- We believe our ability to capitalise on the enhanced structural opportunities that are likely to exist, combined with the competitive advantage of our ownership and operating model, and ongoing initiatives including segmentation and site optimisation, will help offset the adverse impact of a weaker macro-economic environment on demand over the long-term
- Sector-wide cost headwinds can be countered by the benefits of both organic and inorganic growth and an efficiency programme that will ensure the cost base of the business reflects demand.

These factors will enable the business to perform well in the UK and take market share, and to capitalise on the material growth opportunity in Germany. These strong fundamentals, combined with an appropriate capital structure, will enable Whitbread to drive long-term value.

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the "Pension Fund"), had an IAS19 surplus of £164.8m at the end of the period (H1 FY20: £222.3m), with the lower funding position primarily driven by asset performance being lower than the discount rate which was partially offset by favourable inflation experience. Annual contributions of approximately £10m are paid to the Pension Fund through the Scottish Partnership arrangements. The Pension Fund's triennial actuarial valuation as at 31 March 2020 is currently being conducted.

In May, Whitbread announced that it had reached an agreement with the Trustee for a covenant waiver period for the existing EBITDA related covenant which will now not be tested until March 2022. In the event of a breach of the original EBITDA related covenant, a cash payment would have been required to improve the funding position. If Whitbread did not settle this contribution, the Trustee could realise the equivalent value through the security it holds over £450m of Whitbread's freehold property. New covenants have been introduced during the period of the waiver in-line with those given to Whitbread's lenders described above. An additional £50.0m of security has also been given to the Trustee for the duration of the covenant waiver period. A waiver for the same period was also agreed with the Trustee for any possible technical breach that may have resulted from the temporary closure of our hotels and restaurants.

Other information

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 interim 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 2019/20 remain relevant for the remaining half of the financial year.

In addition to those risks detailed below, the possible reduced levels of business travel as a result of increased working from home and improved virtual meeting technology is a new risk that could emerge as a direct impact of the pandemic. Premier Inn has a broad business customer base, including a significant proportion of customers with manual professions who need to be physically present to perform their roles. Premier Inn also under indexes in those areas of business travel that may be more exposed to these structural changes, for example, group bookings for conferences or internal meetings.

The previously highlighted risk regarding the tightening labour market due to the uncertainty surrounding Brexit has reduced in the short-term, as the available labour pool increases as a result of COVID-19. However, the risk remains in the medium to long-term that the sector will face challenges to attract and retain talent in specific roles such as housekeeping and chefs.

The following summaries the risks and uncertainties set out in the annual report:
- Pandemic – impact of COVID-19 or any other pandemic on the business;
- Economic Climate – results in a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans;
- Cyber and Data Security – reduces the effectiveness of systems or results in loss of data;
- International growth – the inability to successfully execute our strategy in Germany;
- Change – ability to execute the significant volume of change;
- Retention and wage inflation – failure to maintain staff engagement and retention in a tightening labour market with sector specific challenges and talent hotspots;
- Third party arrangements – business interruption as a result of the withdrawal of services below acceptable standards or reputational damage as a result of unethical supplier practices;
- Terrorism – impacts the safety and security of customers or staff and the consequent impact on trading;
- Health and safety – death or serious injury as a result of company negligence; and
- Food safety and hygiene – the preparation and storage of food and/or supply chain failure results in food poisoning and reputational damage.

The risk of a wider macro-economic effect as a result of the UK leaving the EU, including foreign exchange and interest rate fluctuations, is considered under the Group's assessment of Economic Climate risk.

Environmental and Social risk, of which sustainability is a key area, is an emerging risk for Whitbread and our approach to identifying and managing this is embedded into the risk management framework and integrated through policies and the risk control mechanisms.

The detail can be found on pages 54 to 57 of the Annual Report and Accounts 2019/20 which is available on the website www.whitbread.co.uk.

Supplementary information
Further information is available in Microsoft Excel from: www.whitbread.co.uk/investors/results-reports-and-presentations. This information includes:
- Premier Inn segmental pro forma income statements;
- Premier Inn network data;
- Premier Inn sales & financial information;
- IFRS 16 adjustments and impact to financial statements; and
- Adjusting items.

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 cash flows, 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 like-for-like sales, adjusted operating profit, adjusted profit, adjusted basic earnings per share, net debt, discretionary free cash flow, lease-adjusted net (debt) / cash : FFO and 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	Nicholas Cadbury
Chief Executive	Finance Director

Interim consolidated income statement

	Notes	**(Reviewed) 6 months to 27 August 2020** Before adjusting items £m	Adjusting items (Note 4) £m	Statutory £m	(Reviewed) 6 months to 29 August 2019 Before adjusting items £m	Adjusting items (Note 4) £m	Statutory £m
Revenue	3	**250.5**	**0.3**	**250.8**	1,078.0	6.0	1,084.0
Other income	2	**89.9**	**1.8**	**91.7**	8.5	16.0	24.5
Operating costs		**(631.0)**	**(359.4)**	**(990.4)**	(787.8)	(37.7)	(825.5)
Operating (loss)/profit before joint ventures		**(290.6)**	**(357.3)**	**(647.9)**	298.7	(15.7)	283.0
Share of loss from joint ventures		**(4.5)**	**-**	**(4.5)**	(2.3)	-	(2.3)
Operating (loss)/profit		**(295.1)**	**(357.3)**	**(652.4)**	296.4	(15.7)	280.7
Finance costs	5	**(76.0)**	**-**	**(76.0)**	(72.4)	-	(72.4)
Finance income	5	**3.7**	**-**	**3.7**	11.6	-	11.6
(Loss)/profit before tax		**(367.4)**	**(357.3)**	**(724.7)**	235.6	(15.7)	219.9
Tax credit/(expense)	7	**49.0**	**15.2**	**64.2**	(49.0)	1.3	(47.7)
(Loss)/profit for the period attributable to parent shareholders		**(318.4)**	**(342.1)**	**(660.5)**	186.6	(14.4)	172.2
(Loss)/earnings per share[1] (Note 8)							
Basic (pence)		**(181.9)**	**(195.5)**	**(377.4)**	97.1	(7.5)	89.6
Diluted (pence)		**(181.9)**	**(195.5)**	**(377.4)**	96.6	(7.4)	89.2

[1] Earnings per share figures for the comparative period have been restated to reflect the bonus element of the June 2020 rights issue.

All of the results shown above relate to continuing operations.

Interim consolidated statement of comprehensive income

	Notes	(Reviewed) 6 months to 27 August 2020 £m	(Reviewed) 6 months to 29 August 2019 £m
(Loss)/profit for the period		**(660.5)**	**172.2**
Items that will not be reclassified to the income statement:			
Re-measurement (loss)/gain on defined benefit pension scheme	13	**(27.7)**	**64.3**
Current tax on defined benefit pension scheme		**-**	**52.6**
Deferred tax on defined benefit pension scheme		**2.6**	**(57.5)**
		(25.1)	**59.4**
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges		**1.3**	**2.1**
Deferred tax on cash flow hedges		**(0.2)**	**(0.4)**
Net loss on hedge of a net investment		**(21.6)**	**-**
		(20.5)	**1.7**
Exchange differences on translation of foreign operations		**34.1**	**20.2**
Other comprehensive (loss)/income for the period, net of tax		**(11.5)**	**81.3**
Total comprehensive (loss)/income for the period, net of tax		**(672.0)**	**253.5**

Interim consolidated statement of changes in equity

6 months to 27 August 2020 (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 27 February 2020	112.9	90.8	50.2	5,861.9	18.6	(2,385.6)	**3,748.8**
Loss for the period	-	-	-	(660.5)	-	-	**(660.5)**
Other comprehensive (loss)/income	-	-	-	(25.1)	12.5	1.1	**(11.5)**
Total comprehensive (loss)/income	**-**	**-**	**-**	**(685.6)**	**12.5**	**1.1**	**(672.0)**
Ordinary shares issued on exercise of employee share options	-	0.4	-	-	-	-	**0.4**
Ordinary shares issued on rights issue[1] (Note 14)	51.7	929.3	-	-	-	-	**981.0**
Loss on ESOT shares issued	-	-	-	(3.1)	-	3.1	**-**
Accrued share-based payments	-	-	-	6.7	-	-	**6.7**
Tax on share-based payments	-	-	-	(2.4)	-	-	**(2.4)**
At 27 August 2020	**164.6**	**1,020.5**	**50.2**	**5,177.5**	**31.1**	**(2,381.4)**	**4,062.5**

[1] The share premium amount of £929.3m is net of £28.2m in relation to transaction costs associated with the rights issue.

6 months to 29 August 2019 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves[1] £m	Total equity £m
At 28 February 2019 (restated[1])	150.6	81.5	12.3	7,938.3	17.7	(2,547.7)	**5,652.7**
Profit for the period	-	-	-	172.2	-	-	**172.2**
Other comprehensive income	-	-	-	59.0	20.2	2.1	**81.3**
Total comprehensive income	**-**	**-**	**-**	**231.2**	**20.2**	**2.1**	**253.5**
Ordinary shares issued on exercise of employee share options	0.1	3.7	-	-	-	-	**3.8**
Loss on ESOT shares issued	-	-	-	(3.0)	-	3.0	**-**
Accrued share-based payments	-	-	-	6.3	-	-	**6.3**
Tax on share-based payments	-	-	-	(1.8)	-	-	**(1.8)**
Release of irrevocable commitment – share buyback (restated[1])	-	-	-	-	-	330.1	**330.1**
Shares purchased in share buyback	-	-	-	-	-	(315.8)	**(315.8)**
Shares cancelled	(6.9)	-	6.9	(140.2)	-	140.2	**-**
Shares purchased under tender offer	(31.0)	-	31.0	(2,012.6)	-	-	**(2,012.6)**
Equity dividends	-	-	-	(116.3)	-	-	**(116.3)**
At 29 August 2019	**112.8**	**85.2**	**50.2**	**5,901.9**	**37.9**	**(2,388.1)**	**3,799.9**

[1] As set out in Note 33 to the Annual Report and Accounts for the year ended 27 February 2020, amounts have been restated to reflect the Group's irrevocable commitment for the purchase of its own shares.

Interim consolidated balance sheet

	Notes	(Reviewed) 27 August 2020 £m	(Reviewed) 29 August 2019[1] £m	(Audited) 27 February 2020 £m
Non-current assets				
Goodwill and other intangible assets		**165.4**	173.7	172.8
Right-of-use assets – property, plant and equipment		**2,511.6**	2,135.8	2,273.7
Right-of-use assets – investment property[2]		**53.4**	-	-
Property, plant and equipment		**4,206.5**	4,139.1	4,232.0
Investment property		**21.7**	21.9	20.3
Investment in joint ventures		**43.2**	58.4	54.8
Derivative financial instruments	12	**12.2**	16.9	28.6
Defined benefit pension surplus	13	**164.8**	222.3	190.3
Trade and other receivables		**5.5**	-	5.1
		7,184.3	6,768.1	6,977.6
Current assets				
Inventories		**21.7**	14.0	13.7
Derivative financial instruments	12	**0.4**	13.1	9.0
Current tax asset		**6.0**	21.7	14.9
Trade and other receivables		**87.0**	136.2	292.8
Cash and cash equivalents	11	**936.2**	804.9	502.6
		1,051.3	989.9	833.0
Assets classified as held for sale		**18.7**	21.6	14.9
Total assets		**8,254.3**	7,779.6	7,825.5
Current liabilities				
Borrowings	11	**-**	96.0	84.0
Lease liabilities		**100.0**	72.7	79.9
Provisions		**32.5**	29.2	40.8
Derivative financial instruments	12	**2.5**	2.2	2.2
Trade and other payables		**315.2**	421.4	440.0
		450.2	621.5	646.9
Non-current liabilities				
Borrowings	11	**739.8**	786.4	741.5
Lease liabilities		**2,861.6**	2,424.9	2,540.7
Provisions		**18.6**	10.5	7.6
Derivative financial instruments	12	**5.0**	3.4	2.2
Trade and other payables		**36.3**	-	-
Deferred tax liabilities	7	**80.3**	133.0	137.8
		3,741.6	3,358.2	3,429.8
Total liabilities		**4,191.8**	3,979.7	4,076.7
Net assets		**4,062.5**	3,799.9	3,748.8
Equity				
Share capital	14	**164.6**	112.8	112.9
Share premium		**1,020.5**	85.2	90.8
Capital redemption reserve		**50.2**	50.2	50.2
Retained earnings		**5,177.5**	5,901.9	5,861.9
Currency translation reserve		**31.1**	37.9	18.6
Other reserves		**(2,381.4)**	(2,388.1)	(2,385.6)
Total equity		**4,062.5**	3,799.9	3,748.8

[1] The balance sheet as at 29 August 2019 has been re-presented to show investment property separately from property, plant and equipment.

[2] Right-of-use assets – investment property represents leasehold sites which the Group acquired on the acquisition of Foremost Hospitality Hiex GmbH which are being temporarily subleased to a third party (see Note 18).

Interim consolidated cash flow statement

	Notes	**(Reviewed) 6 months to 27 August 2020 £m**	(Reviewed) 6 months to 29 August 2019 £m
Cash (used in)/generated from operations	17	**(250.1)**	366.1
Payments against provisions		**(7.1)**	(13.3)
Pension payments	13	**(2.2)**	(276.9)
Interest paid – lease liabilities		**(61.0)**	(57.0)
Interest paid – other		**(5.1)**	(7.4)
Interest received		**0.9**	9.6
Corporation taxes refunded/(paid)		**12.6**	(1.9)
Net cash flows (used in)/from operating activities		**(312.0)**	19.2
Cash flows used in investing activities			
Purchase of property, plant and equipment and investment property		**(114.8)**	(185.8)
Proceeds from disposal of property, plant and equipment		**1.5**	3.7
Investment in intangible assets		**(5.0)**	(10.7)
Cash acquired on acquisition of a subsidiary[1]		**1.4**	-
Cash recovered on aborted acquisition[2]		**1.3**	-
Capital contributions to joint ventures		**(1.3)**	-
Net cash flows used in investing activities		**(116.9)**	(192.8)
Cash flows from/(used in) financing activities			
Proceeds from issue of shares on exercise of employee share options		**0.4**	3.8
Proceeds from issue of shares on rights issue, net of fees	14	**981.0**	-
Shares purchased in tender offer		**-**	(2,012.6)
Shares purchased in share buyback		**-**	(315.8)
Drawdowns of long-term borrowings	11	**50.0**	50.0
Repayments of long-term borrowings	11	**(125.1)**	-
Costs of long-term borrowings	11	**(1.2)**	-
Payment of principal of lease liabilities		**(44.4)**	(34.3)
Dividends paid	9	**-**	(116.3)
Net cash flows from/(used in) financing activities		**860.7**	(2,425.2)
Net increase/(decrease) in cash and cash equivalents		**431.8**	(2,598.8)
Opening cash and cash equivalents		**502.6**	3,403.2
Foreign exchange differences		**1.8**	0.5
Closing cash and cash equivalents	11	**936.2**	804.9

[1] Cash consideration for the Group's acquisition of Foremost Hospitality Hiex GmbH of £169.5m (see Note 18) was included in the consolidated cash flow statement for the year ended 27 February 2020.

[2] During the year ended 27 February 2020, the Group paid a deposit in advance of an acquisition which was subsequently aborted. During the period, the Group recovered £1.3m following settlement negotiations.

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 26 October 2020.

The interim condensed consolidated financial statements are prepared in accordance with UK listing rules and with IAS 34 *Interim Financial Reporting*. The interim financial report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information for the year ended 27 February 2020 is extracted from the statutory accounts of the Group for that year and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. These published accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, and reported on by the auditor without qualification or statement under Sections 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The interim condensed consolidated financial statements for the six months ended 27 August 2020 and the comparatives to 29 August 2019 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

The financial position of the Group, its cash flows, performance and position are described in the financial review and the principal risks of the Group are set out in the other information within the interim management report. Details of the Group's available and drawn facilities are included in Note 11. At 27 August 2020, the Group had a cash balance of £936.2m with available borrowing facilities of £1,689.8m for use in the going concern assessment of which £739.8m had been drawn down. The UK Government Covid Corporate Financing Facility (CCFF) of £600.0m is not included in the available facilities as the facility is uncommitted and undrawn and will be withdrawn by the Government from March 2021.

The future financial performance of the Group is dependent upon the wider market in which it operates. The COVID-19 pandemic and the temporary measures put in place to control the virus spreading, including social distancing restrictions, and both local and national lockdowns, has heightened the inherent uncertainty in the Group's assessment of these factors.

The Group has implemented a number of mitigating actions to reduce cash outflows and maintain liquidity, as follows:

- Received covenant test waivers for the period to March 2022 for its revolving credit facility (RCF), US Private Placements (USPP) and defined benefit pension scheme. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn.
- Did not declare a final dividend for FY20 and no dividends will be paid during the covenant test waiver period.
- Raised £981.0m net of fees through a rights issue.
- Significantly reduced the level of capital expenditure, limiting the outflows to only committed spend, work in progress, compliance and health and safety related spend, pausing all non-essential discretionary and variable spending.
- Participated in government initiatives to protect the viability of the business, including the Coronavirus Job Retention Scheme (CJRS), Eat Out to Help Out Scheme, Business Rates Relief and have been confirmed as an eligible issuer under the CCFF with an issuer limit of £600.0m.
- Announced a major restructuring programme of the Group's support centre and site operations which is expected to result in the redundancy of up to 6,000 team members, representing approximately 18% of the total workforce. In addition, the Board and management team have taken voluntary reductions in remuneration.

All of the Group's restaurants and 98% of the Group's hotels have re-opened fully with the Group implementing new protocols to ensure the health and safety of its guests, employees and suppliers. The UK Government have made it clear that the industry should continue where these safe working practices are in place. As such, management do not anticipate that there will be a need to concurrently close all operations once more and therefore that the likelihood of a deterioration in financial performance to the levels seen in April, May and June 2020 is remote.

The Group has modelled two financial scenarios that reflect the impact of the COVID-19 pandemic on the rate of recovery of the Group's operations in the UK and Germany:

- A "base case" in which the Group is planning for a gradual recovery throughout the next year in which trading conditions begin to normalise while not returning to the levels of FY20. This allows for the potential of further outbreaks of COVID-19, resulting in further local lockdowns and corresponding reductions in business and leisure travel.
- A "severe but plausible case" which sensitises these forecasts for a slower than expected recovery or allows for either a national lockdown or prolonged series of local lockdowns.

Under both the base case and severe but plausible case, the Group can meet its funding needs through available funds and is able to meet the temporary covenants agreed as part of the waivers throughout the 12-month going concern assessment period. The long-term impact of COVID-19 remains uncertain and the impact of the pandemic on trading conditions could be more prolonged or severe than that which the directors have considered in the severe but plausible case.

Furthermore, a reverse stress test was performed to determine the market conditions in which the Group, without additional mitigating action, would cease to be able to operate under its current facilities. The significant reduction in sales modelled was well beyond what is considered reasonable taking into account the past closure experience and current economic forecasts for the Group.

A number of the mitigating factors available to the Group, both already utilised and those which could be implemented, are set out above. The scenarios modelled do not make any allowance for further mitigations that are within the control of the directors, including additional reductions in the cost and capex base and the sale of parts of the Group's valuable freehold property estate, which would be subject to the prevailing market conditions.

1. Basis of accounting and preparation (continued)

Going Concern (continued)

After due consideration of the matters set out above, the directors are satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis without material uncertainties in the preparation of these financial statements.

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 27 February 2020.

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

Adjusting items and use of alternative performance measures

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

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

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

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

- net charges associated with the strategic programme in relation to the review of the hotel estate, excluding those relating to financing;
- 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;
- impairment and related charges for sites which are 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.

Government grants

During the period, the Group has received government support. The relevant accounting policy is set out below. No accounting policy was disclosed in the annual financial statements as no such grants had been received.

A government grant is recognised in the balance sheet within other receivables when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Grants are recognised within other income in the consolidated income statement at a point in time to match the timing of recognition of the related expenses they are intended to compensate. Refer to Note 6 for details of government grants and support received in the period.

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.

The COVID-19 pandemic led to the temporary closure of the majority of the Group's hotels and all of its restaurants from late March 2020, with sites re-opening from July 2020. Although there is uncertainty surrounding the prolonged impacts of the pandemic, it is expected to significantly impact these typical patterns.

1. Basis of accounting and preparation (continued)

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.

Critical accounting judgements

Adjusting items
During the period, certain items are identified and separately disclosed as adjusting items. Judgement is applied as to whether the item meets the necessary criteria as per the accounting policy disclosed above. This assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. Reversals of previous adjusting items are assessed based on the same criteria. Note 4 provides information on all of the items disclosed as adjusting in the current period and comparative financial statements.

Key sources of estimation uncertainty

Defined benefit pension
Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. The Group makes significant estimates in relation to the discount rates, mortality rates and inflation rates used to calculate the present value of the defined benefit obligation. Note 13 describes the sensitivity of the defined benefit pension surplus to changes in key assumptions.

Impairment testing – Goodwill, property, plant and equipment and right-of-use assets
Where there are indicators of impairment, management performs an impairment assessment. The speed at which the Group's sites will recover from the impact of the COVID-19 pandemic is uncertain and as a result, all of the Group's sites have been tested for impairment. Recoverable amounts for cash generating units are the higher of value in use, and fair value less costs of disposal. Value in use is calculated from cash flow projections based on the Group's five-year business plans and extrapolated beyond five years based on estimated long-term growth rates. The value in use calculation is sensitive to the discount rate used as well as the expected future cash inflows and growth rate used for extrapolation purposes. Where sites are new, judgement is required to estimate the time taken to reach maturity and the sites' trading level once they are mature. Fair value is determined using a range of methods, including present value techniques using assumptions consistent with the value in use calculations, market multiple techniques using externally available data and with the assistance of independent, professional valuers where appropriate. Key estimates and sensitivities for impairment of assets are disclosed in Note 10.

2. Other income

	6 months to 27 August 2020 £m	6 months to 29 August 2019 £m
Rental income	**3.9**	1.9
Rates rebates relating to prior financial years	**-**	6.6
Government grants (Note 6)	**85.8**	-
Other	**0.2**	-
Other income before adjusting items	**89.9**	8.5
Insurance proceeds (Note 4)	**1.8**	16.0
Other income	**91.7**	24.5

3. Segmental analysis

For management purposes, the Group is organised into a single strategic business unit, Premier Inn, which provides services in relation to accommodation, food and beverage both in the UK and internationally.

In previous years, the UK and Ireland and Germany Premier Inn segments have been aggregated on the grounds that the Germany segment did not meet the thresholds of being a reportable segment. As a result of the increasing size of the German operations, the Germany segment will be presented separately going forward. As the Group's reportable segments have been changed, the comparative information for 2019 has been re-presented.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on adjusted operating profit before joint ventures. Included within central and other in the following tables are the costs of running the public company, other central overhead costs and share of losses from joint ventures.

The following tables present revenue and profit information regarding business operating segments for the six months to 27 August 2020 and 29 August 2019.

	6 months to 27 August 2020				6 months to 29 August 2019 (re-presented)			
Revenue	**UK and Ireland £m**	**Germany £m**	**Central and other £m**	**Total operations £m**	UK and Ireland £m	Germany £m	Central and other £m	Total operations £m
Accommodation	**155.4**	**4.9**	**-**	**160.3**	697.3	3.0	-	700.3
Food, beverage and other items[1]	**89.6**	**0.6**	**-**	**90.2**	377.0	0.7	-	377.7
Revenue before adjusting items	**245.0**	**5.5**	**-**	**250.5**	1,074.3	3.7	-	1,078.0
Adjusting revenue (Note 4)				**0.3**				6.0
Revenue				**250.8**				1,084.0

[1] Revenue from food, beverage and other items includes £10.8m (2019: Nil) of consideration receivable from HM Revenue & Customs under the Eat Out to Help Out scheme.

	6 months to 27 August 2020				6 months to 29 August 2019 (re-presented)			
(Loss)/profit	**UK and Ireland £m**	**Germany £m**	**Central and other £m**	**Total operations £m**	UK and Ireland £m	Germany £m	Central and other £m	Total operations £m
Adjusted operating (loss)/profit before joint ventures[1]	**(254.9)**	**(23.7)**	**(12.0)**	**(290.6)**	318.2	(5.8)	(13.7)	298.7
Share of loss from joint ventures	**-**	**-**	**(4.5)**	**(4.5)**	-	-	(2.3)	(2.3)
Adjusted operating (loss)/profit	**(254.9)**	**(23.7)**	**(16.5)**	**(295.1)**	318.2	(5.8)	(16.0)	296.4
Net finance costs	**(58.2)**	**(2.8)**	**(11.3)**	**(72.3)**	(57.0)	-	(3.8)	(60.8)
Adjusted (loss)/profit before tax	**(313.1)**	**(26.5)**	**(27.8)**	**(367.4)**	261.2	(5.8)	(19.8)	235.6
Adjusting items (Note 4)				**(357.3)**				(15.7)
(Loss)/profit before tax				**(724.7)**				219.9

[1] Adjusted operating (loss)/profit for the UK and Ireland segment includes the impact of Business Rates Relief provided by the UK Government of £55.0m (2019: Nil) and income from the job retention schemes in the UK and Ireland of £85.5m (2019: Nil). Adjusted operating (loss)/profit for the Germany segment includes £0.7m (2019: Nil) from the Kurzarbeit scheme.

3. Segmental analysis (continued)

Other segment information	6 months to 27 August 2020 UK and Ireland £m	Germany £m	Central and other £m	Total operations £m	6 months to 29 August 2019 (re-presented) UK and Ireland £m	Germany £m	Central and other £m	Total operations £m
Capital expenditure:								
Property, plant and equipment – cash basis	**69.8**	**45.0**	**-**	**114.8**	139.4	46.4	-	185.8
Property, plant and equipment – accruals basis	**49.8**	**43.9**	**-**	**93.7**	120.2	32.9	-	153.1
Intangible assets	**5.0**	**-**	**-**	**5.0**	9.6	1.1	-	10.7
Depreciation – property, plant and equipment	**71.6**	**1.7**	**-**	**73.3**	70.4	0.5	-	70.9
Depreciation – right-of-use assets	**53.8**	**7.2**	**-**	**61.0**	50.2	0.1	-	50.3
Amortisation	**11.4**	**0.2**	**-**	**11.6**	9.6	-	-	9.6

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

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 27 August 2020 £m	6 months to 29 August 2019 £m
Adjusting items were as follows:		
Revenue:		
TSA income (a)	**0.3**	6.0
Adjusting revenue	**0.3**	6.0
Other income:		
Insurance proceeds (b)	**1.8**	16.0
Adjusting other income	**1.8**	16.0
Operating costs:		
TSA costs (a)	**(0.3)**	(5.7)
Costa disposal – separation and other costs (c)	**4.9**	(8.3)
Impairment – goodwill (d)	**(238.8)**	-
Impairment and write offs – property, plant and equipment, right-of-use assets and other intangible assets (e)	**(101.1)**	(23.5)
Impairment – investment in joint ventures (f)	**(8.2)**	-
Aborted acquisition costs (g)	**(12.4)**	-
Restructuring costs (h)	**(5.3)**	-
Gains/(losses) on disposals, property and other provisions (i)	**1.8**	(0.2)
Adjusting operating costs	**(359.4)**	(37.7)
Adjusting items before tax	**(357.3)**	(15.7)
Tax adjustments included in reported (loss)/profit after tax, but excluded in arriving at adjusted (loss)/profit after tax:		
Tax on adjusting items	**15.2**	1.3
Adjusting tax credit	**15.2**	1.3

4. Adjusting items (continued)

(a) Following the sale of Costa to The Coca-Cola Company, the Group entered into a Transitional Services Arrangement (TSA) to provide certain services to facilitate the successful separation of Costa from the Whitbread Group. The revenue has been earned since the completion of the sale on 3 January 2019 and the majority of services have now been completed, with all services expected to conclude by the end of 2020.

(b) During the period the Group recognised insurance claim proceeds of £1.8m (2019: £16.0m) in other income covering property and loss of trade in relation to a fire at a site in the prior year.

(c) In prior periods, the Group recognised expected costs of £4.0m relating to the separation of Costa and costs of £0.9m relating to the impact of the Costa disposal on the continuing business. The Group no longer expects to incur these costs.

(d) The Group has recorded a goodwill impairment charge of £238.8m in relation to its operations in Germany. The goodwill was recognised on the acquisition of Foremost Hospitality Hiex GmbH (see Note 18) which the Group entered into in the year ended 1 March 2018 and has been impaired as a result of the impact of the COVID-19 pandemic on current and future growth rates.

(e) As a result of the COVID-19 pandemic, the Group identified impairment indicators relating to assets held by the Group. An impairment review of those assets was undertaken, resulting in a total impairment charge of £91.6m. This is made up of £54.0m relating to property, plant and equipment, £35.9m relating to right-of-use assets and £1.7m relating to IT assets. In addition, following a review of early stage expansion projects, assets with a value of £5.7m were written off relating to sites where the Group has decided not to proceed with the project, and an impairment charge of £3.8m was recorded in relation to assets classified as held for sale. Further information is provided in Note 10.

(f) As a result of the COVID-19 pandemic, the Group identified impairment indicators relating to its investment in its UK joint venture, Healthy Retail Limited. Following an impairment review, a charge of £8.2m has been recorded within adjusting items. Further information is provided in Note 10.

(g) At 27 February 2020, the Group had purchased a call option for an acquisition as part of the Group's strategy for international growth. As a result of the COVID-19 pandemic, the Group decided subsequent to the year-end not to proceed with the acquisition. An amount of £1.3m was recovered following settlement negotiations resulting in a charge of £12.4m, including fees, being recorded in the income statement.

(h) During the period, the Group restructured its support centre operations resulting in redundancy and project costs of £5.3m. Subsequent to the period end, the Group announced a restructuring of its site operations which will result in additional restructuring costs in the second half of the financial year (see Note 19).

(i) During the period, the Group made profits on disposal of £0.5m and released property and other provisions of £1.3m.

5. Finance (costs)/income

	6 months to 27 August 2020 £m	6 months to 29 August 2019 £m
Finance costs		
Interest on bank loans and overdrafts	**(2.1)**	(1.9)
Interest on other loans	**(12.2)**	(14.7)
Interest on lease liabilities	**(61.0)**	(57.0)
Interest capitalised	**0.4**	1.3
Unwinding of discount on contingent consideration	**(1.1)**	-
Unwinding of discount on provisions	**-**	(0.1)
	(76.0)	(72.4)
Finance income		
Bank interest receivable	**0.9**	9.5
Other interest receivable	**0.9**	-
Impact of ineffective portion of cash flow and fair value hedges	**0.4**	-
IAS 19 pension finance income (Note 13)	**1.5**	2.1
	3.7	11.6
Total net finance costs	**(72.3)**	(60.8)

6. Government grants and assistance

During the period, the Group has received government support designed to mitigate the impact of COVID-19.

In the UK, the Government has provided funding towards the salary costs of employees who have been 'furloughed' through the Coronavirus Job Retention Scheme. This funding meets the definition of a government grant under IAS 20 *Government Grants* and a total of £85.2m has been recorded within other income. At 27 August 2020, £16.6m (2019: £nil) was included in other receivables in respect of the scheme. The related salary costs which are compensated by the scheme are included within operating costs in the consolidated income statement.

In Germany, the Government provide enhanced benefits directly to individual employees with employers partially compensated for continued social security payments under Kurzarbeit. Support provided directly to employees reduced the Group's operating costs by £0.4m and a total of £0.3m was recognised in other income relating to compensation for social security payments.

The UK Government introduced a business rates holiday for retail, hospitality and leisure businesses for the 2020 to 2021 tax year. The relief has allowed the Group to reduce operating costs by £55.0m in the period.

The Group registered with the Government's Eat out to Help Out Scheme during August 2020, which provided government funding for 50% of food and non-alcoholic beverage purchases, capped at £10 per head. The Group has claimed £10.8m as part of the scheme which has been recognised as revenue and included within other receivables at the period end. Subsequent to the period end, the Group has recognised a further £1.2m relating to sales in August 2020 which fall outside the Group's financial period.

The Group has been confirmed as an eligible issuer under the UK Government Covid Corporate Financing Facility (CCFF) but has not drawn down on the facility. See Note 11 for more details.

The UK Government announced on 8 July 2020, that a reduced rate of VAT would apply to certain supplies in the hospitality and hotel accommodation sector. As a result, for the period from 15 July 2020 to 31 March 2021, the Group's sales of accommodation, food and beverage (excluding alcohol) will be charged at 5% VAT.

The Group has not taken part in the COVID-19 VAT deferral scheme.

7. Taxation

Tax for the six-month period is charged at 13.3% (August 2019: 20.8%), representing the best estimate of the average annual adjusted effective tax rate expected for the full year, applied to the pre-tax adjusted (loss)/profit of the six-month period. The effective tax rate is lower than the statutory corporate tax rate primarily due to the remeasurement of deferred tax assets and liabilities resulting from the decision to maintain the main rate of UK corporation tax at 19% rather than reduce it to 17% and the impact of overseas tax losses for which no tax has been recognised.

At the period end, the Group recognised net deferred tax liabilities of £80.3m (February 2020: £137.8m). The major movements in the deferred tax balance during the period are: the recognition of £58.1m of deferred tax assets in respect of losses in the UK which can be carried forward and offset against future profits and an increase of £8.0m in the deferred tax liability associated with rolled over gains and property revaluations as a result of the UK property impairments incurred during the period. A £3.5m deferred tax liability was recognised on the acquisition of Foremost Hospitality Hiex GmbH (see Note 18) and as a result a deferred tax asset of £3.5m was recognised in relation to brought forward losses.

The Group has incurred overseas tax losses of £54.0m which can be carried forward indefinitely and offset against future taxable profits in the same tax group. The Group carries out an annual assessment of the recoverability of these losses and, to the extent that they exceed deferred tax liabilities within the same tax group, does not think it is appropriate at this stage to recognise any deferred tax asset. Recognition of these assets in their entirety would result in an increase in the reported deferred tax asset of £16.0m.

8. Earnings per share

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

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the average share price for the period is lower than the option price, the options become anti-dilutive and are excluded from the calculation. There are 1.6m (2019: Nil) shares options excluded from the diluted earnings per share calculation because they would be anti-dilutive.

Basic and diluted earnings per share figures for the comparative period have been restated for the bonus factor of 1.1640 to reflect the bonus element of the June 2020 rights issue, in accordance with IAS 33 *Earnings per Share*. Amounts as originally stated at 29 August 2019 were 104.3p basic earnings per share (103.7p diluted) and 113.0p basic adjusted earnings per share (112.4p diluted).

8. Earnings per share (continued)

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

	6 months to 27 August 2020 million	6 months to 29 August 2019 (restated) million
Basic weighted average number of ordinary shares	**175.0**	192.2
Effect of dilution – share options	**-**	0.9
Diluted weighted average number of ordinary shares	**175.0**	193.1

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

	6 months to 27 August 2020 £m	6 months to 29 August 2019 £m
(Loss)/profit for the period attributable to parent shareholders	**(660.5)**	172.2
Adjusting items – gross (Note 4)	**357.3**	15.7
Adjusting items – taxation (Note 4)	**(15.2)**	(1.3)
Adjusted (loss)/profit for the period attributable to parent shareholders	**(318.4)**	186.6

	6 months to 27 August 2020 pence	6 months to 29 August 2019 (restated) pence
Basic EPS on (loss)/profit for the period	**(377.4)**	89.6
Adjusting items – gross	**204.2**	8.2
Adjusting items – taxation	**(8.7)**	(0.7)
Basic EPS on adjusted (loss)/profit for the period	**(181.9)**	97.1
Diluted EPS on (loss)/profit for the period	**(377.4)**	89.2
Diluted EPS on adjusted (loss)/profit for the period	**(181.9)**	96.6

9. Dividends paid

	6 months to 27 August 2020		6 months to 29 August 2019	
	pence per share	**£m**	pence per share	£m
Equity dividends on ordinary shares:				
Final dividend for prior year	**-**	**-**	**67.00**	**116.3**
Dividends on other shares:				
B share dividend	**0.90**	**-**	**0.90**	**-**
Total dividends paid		**-**		**116.3**

As a condition agreed with Whitbread's lenders and pension trustees, dividends will not be paid during the current covenant waiver period which lasts until March 2022 (2019: an interim dividend of 32.65p per share amounting to a dividend of £43.7m was declared).

Dividends per share for the comparative period stated above are as declared and paid to shareholders on shares in issue when dividends were paid. Restating these amounts to take account of the bonus element of the June 2020 rights issue would result in final dividend declared and paid of 57.56p per share and interim dividend declared and paid of 28.05p per share.

10. Impairment

During the period, impairment losses of £348.1m were recognised within operating costs. These impairments are primarily driven by a reduction in anticipated cashflows, particularly over the next 12-24 months, and an increase in the discount rate reflecting increased market risk and volatility. The losses were recognised on the following classes of assets:

	6 months to 27 August 2020
Property, plant and equipment – impairment review	54.0
Property, plant and equipment – transfer to assets held for sale	3.3
Property, plant and equipment – early stage expansion projects	5.7
Right-of-use assets – impairment review	35.9
Intangible assets – goodwill	238.8
IT assets	1.7
Investments in joint ventures	8.2
Assets held for sale	0.5
	348.1

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

As a result of the COVID-19 pandemic, the Group identified indicators of impairment and as a result performed an impairment assessment of all trading sites. This resulted in an impairment of £54.0m being recorded in relation to property, plant and equipment in the UK and £35.9m being recorded in relation to right-of-use assets in the UK.

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:

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 9.8% in the UK, and 9.0% in Germany (February 2020: 7.1% UK and 6.2% Germany). The discount rate has increased since the year end reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation.

Approved budget period

Forecast cash flows for the initial five-year period are based on actual cash flows for FY20 being the period before the impact of the COVID-19 pandemic and applying management's assumptions of the impact of the pandemic and expected recovery period.

Long-term growth rates

A long-term growth rate of 2.0% was used for cash flows subsequent to the five-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 market data obtained from external sources.

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 WACC for the specific asset class from 9.8% to 10.6%.

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

- Forecast growth rates: Forecast growth rates are based on the Group business plan which includes assumptions around the timing and profile of the UK and German economies' recovery from the COVID-19 pandemic.
- 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.

10. Impairment (continued)

Goodwill

Goodwill acquired through business combinations is allocated to groups of CGUs at an operating segment level, being the level at which management monitors goodwill. An analysis of goodwill by operating segment is:

	UK	Germany	Total
At 27 February 2020	110.5	-	110.5
Acquisitions (Note 18)	-	224.2	224.2
Foreign exchange	-	14.6	14.6
Impairment	-	(238.8)	(238.8)
At 27 August 2020	**110.5**	**-**	**110.5**

An impairment of £238.8m was recorded in relation to goodwill arising on the acquisition of Foremost Hospitality Hiex GmbH (see Note 18) reflecting the impact of the COVID-19 pandemic on current and future growth rates.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amount has been determined from value in use calculations. The future cash flows are based on assumptions from the business plans and cover a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% growth rate. The pre-tax discount rate applied to cash flow projections is 9.8% for the UK and 9.0% for Germany.

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 five-year business plans, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge in the period to 27 August 2020 of:

	Property, plant and equipment and right-of use assets £m
Discount Rate	
Increase to impairment charge if discount rate increase by 2.0%	15.3
Decrease to impairment charge if discount rate decrease by 2.0%	(17.3)
Business plan growth rates	
Increase to impairment charge if year one and year two growth rates reduced by 20%	7.9
Decrease to impairment charge if year one and year two growth rates increased by 20%	(7.3)
Long-term growth rate	
Increase to impairment charge if long-term growth rates reduced by 1.0%	1.3
EBITDAR multiple	
Increase to impairment charge if EBITDAR multiple reduced by 10%	25.3

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

The long-term impact of COVID-19 remains uncertain and the impact of the pandemic could be more prolonged or severe than management has considered in the sensitivities presented, potentially resulting in a greater range of future impairment or impairment reversals.

As a result of the German goodwill being impaired in the period and the level of headroom within the UK segment, there is no reasonably possible change that could result in a further material impairment of goodwill.

Investments in joint ventures

The COVID-19 pandemic has had a significant impact on trading and future forecasts for trading at the Group's joint ventures. As a result, an impairment review was carried out and an impairment charge of £8.2m has been recorded in the financial statements relating to the Group's investment in Healthy Retail Limited.

	Healthy Retail Limited
Carrying value at 27 February 2020	9.6
Loss for the period	(1.9)
Interest on loans	0.5
Impairment	(8.2)
Carrying value at 27 August 2020	**-**

The impairment charge of £8.2m includes impairment of a joint venture loan with a carrying value of £6.3m determined under IFRS 9 *Financial Instruments*.

10. Impairment (continued)

Property, plant and equipment – early stage expansionary projects and assets held for sale
As a result of the impact of the COVID-19 pandemic and the focussed application of investment cashflows, the Group reviewed its early stage expansion projects and decided not to proceed with certain sites resulting in a write off of costs of £5.7m that had been incurred and capitalised.

During the period, six hotels were transferred to assets held for sale, resulting in an impairment charge of £3.3m. In addition, an impairment charge of £0.5m was recorded in relation to assets which had previously been classified as held for sale as a result of a reduction in expected sales proceeds.

IT Assets
An impairment review of IT intangible and tangible assets was carried out as a result of the COVID-19 pandemic which identified a total of £1.7m of assets which are not expected to generate future economic benefits for the Group.

11. Borrowings and net debt

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

	Current		**Non-current**	
	27 August 2020 £m	27 February 2020 £m	**27 August 2020 £m**	27 February 2020 £m
Revolving credit facility (£950.0m)	-	-	-	-
Private placement loan notes	-	84.0	293.5	295.6
Senior unsecured bonds	-	-	446.3	445.9
UK Government CCFF (£600.0m)	-	-	-	-
	-	84.0	739.8	741.5

During the period, the Group received covenant test waivers for 18 months for its revolving credit facility, private placement loan notes and defined benefit pension scheme covering the period to March 2022. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn.

Revolving credit facility
The committed revolving credit facility (RCF) terms give a total available committed credit of £950.0m, which runs until September 2022. Loans have variable interest rates linked to LIBOR. The facility is multi-currency.

Private placement loan notes
The Group holds loan notes with coupons and maturities as shown in the following table.

Title	Year issued	Principal value	Maturity	Coupon
Series C loan notes	2011	US$93.5m	26 January 2022	4.86%
Series D loan notes	2011	£25.0m	6 September 2021	4.89%
Series A loan notes	2017	£100.0m	16 August 2027	2.54%
Series B loan notes	2017	£100.0m	16 August 2027	2.63%

During the period, the Group repaid loan notes on maturity with a value of US$75.0m and £25.0m. As a result of fair value hedges in place, the total cash outflow recorded by the Group was £75.1m.

Senior unsecured bonds
The Group issued £450.0m 2025 bonds with a coupon of 3.375% on 28 May 2015.

UK Government CCFF
The Group is an eligible issuer under the UK Government Covid Corporate Financing Facility with an issuer limit of £600.0m. The facility has remained undrawn throughout the period and up to the date of approval of these financial statements.

11. Borrowings and net debt (continued)

Movement in cash and net debt

	27 February 2020 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loan capital £m	Amortisation of premiums and discounts £m	**27 August 2020 £m**
Cash at bank and in hand	78.9						**87.2**
Short-term deposits	423.7						**849.0**
Cash and cash equivalents	502.6	**-**	**431.8**	**1.8**	**-**	**-**	**936.2**
Loan capital under one year	(84.0)						**-**
Loan capital over one year	(741.5)						**(739.8)**
Total loan capital	(825.5)	**1.2**	**75.1**	**1.6**	**8.9**	**(1.1)**	**(739.8)**
Net (debt)/cash	(322.9)	**1.2**	**506.9**	**3.4**	**8.9**	**(1.1)**	**196.4**

Net debt includes US$ denominated loan notes of US$93.5m (February 2020: US$168.5m) retranslated at period end to £70.7m (February 2020: £131.3m). These notes have been hedged using cross-currency swaps. At maturity, £58.5m (February 2020: £108.6m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net cash would be £208.7m (February 2020: net debt would be £300.1m).

Liquidity Risk

The tables below summarise the maturity profile of the Group's financial liabilities at 27 August 2020 and 27 February 2020 based on contractual undiscounted payments, including interest:

27 August 2020

	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**
Interest-bearing loans and borrowings	**-**	**-**	**24.6**	**164.9**	**675.5**	**865.0**
Lease liabilities	**-**	**55.6**	**165.0**	**871.8**	**4,285.2**	**5,377.6**
Derivative financial instruments	**-**	**-**	**2.5**	**1.3**	**-**	**3.8**
Trade and other payables	**-**	**78.6**	**25.6**	**38.4**	**-**	**142.6**
	-	**134.2**	**217.7**	**1,076.4**	**4,960.7**	**6,389.0**

27 February 2020

	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
Interest-bearing loans and borrowings	-	-	101.0	164.9	673.1	939.0
Lease liabilities	-	48.9	147.9	784.8	3,999.1	4,980.7
Derivative financial instruments	-	-	2.2	2.2	-	4.4
Trade and other payables	-	126.3	4.4	-	-	130.7
	-	175.2	255.5	951.9	4,672.2	6,054.8

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 entered into a number of cross-currency swap agreements in relation to the US$ denominated loan notes to eliminate foreign currency exchange risk on interest or on the repayment of principal borrowed and has additionally entered into 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 payables. The consideration will become payable upon the handover of hotel sites which are currently being developed. The amounts payable are fixed and have been discounted at a rate reflecting the Group’s borrowing costs.

	27 August 2020 £m	29 August 2019 £m	27 February 2020 £m
Financial assets			
Derivative financial instruments – level 2	**12.6**	30.0	37.6
Financial liabilities			
Contingent consideration – level 3	**(66.2)**	-	(4.4)
Derivative financial instruments – level 2	**(7.5)**	(5.6)	(4.4)

There were no transfers between levels during any period disclosed.

13. Defined benefit pension surplus

During the six-month period to 27 August 2020, the defined benefit pension scheme has moved from a surplus of £190.3m to £164.8m. The main movements in the surplus are as follows:

		£m
Pension surplus at 27 February 2020		190.3
Re-measurement due to:		
Changes in financial assumptions	(38.3)	
Experience adjustments	20.5	
Return on plan assets lower than discount rate	(9.9)	
		(27.7)
Contributions from employer		2.2
Net interest on pension liability and assets		1.5
Administrative expenses		(1.5)
Pension surplus at 27 August 2020		**164.8**

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*.

A full actuarial valuation of the scheme as at 31 March 2020 is currently being carried out.

During the period, the Group received covenant test waivers for 18 months for its revolving credit facility, private placement loan notes and defined benefit pension scheme covering the period to March 2022. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn.

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2017 of the UK scheme to 27 August 2020 for IAS 19 *Employee benefits* purposes were:

	27 August 2020 %	27 February 2020 %
Pre-April 2006 rate of increase in pensions in payment	2.8	2.8
Post-April 2006 rate of increase in pensions in payment	2.0	2.0
Pension increases in deferment	2.8	2.8
Discount rate	1.6	1.6
Inflation assumption	2.9	2.9

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 20.8 years (February 2020: 20.8 years) if they are male and for a further 23.3 years (February 2020: 23.3 years) if they are female. For a member who retires in 2040 at age 65, the assumptions are that they will live on average for a further 21.9 years (February 2020: 21.9 years) after retirement if they are male and for a further 24.5 years (February 2020: 24.5 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 to changes in these assumptions:

	(Increase)/decrease in liability	
	27 August 2020	27 February 2020
Discount rate		
1.00% increase to discount rate	458.0	467.0
1.00% decrease to discount rate	(596.0)	(610.0)
Inflation		
0.25% increase to inflation rate	(101.0)	(101.0)
0.25% decrease to inflation rate	98.0	98.0
Life expectancy		
One-year increase to life expectancy	(102.0)	(102.0)

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. 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. Rights issue and share capital

In June 2020, the Group offered a fully underwritten rights issue to existing shareholders on the basis of 1 share for every 2 fully paid ordinary shares held. The company received acceptances in respect of 61,452,547 New Ordinary Shares, representing 91.4% of the total New Ordinary Shares to be issued. The remaining 5,824,869 New Ordinary Shares for which acceptances were not received were successfully placed at a price of 2,550 pence per New Ordinary Share.

As a result, a total of 67,277,416 ordinary shares with an aggregate nominal value of £51.7m were issued for cash consideration of £1,009.2m. Transaction costs of £28.2m were incurred resulting in £929.3m being recognised in share premium and net cash proceeds of £981.0m.

Earnings per share figures for the comparative period have been restated to reflect the bonus element of the June 2020 rights issue, in accordance with IAS 33.

Allotted, called up and fully paid shares of 76.80p each;

	million	£m
At 27 February 2020	147.0	112.9
Issued on exercise of employee share options	-	-
Issued in rights issue	67.3	51.7
At 27 August 2020	**214.3**	**164.6**

Share capital and treasury shares	Share capital million	Treasury shares million	Voting rights million
At 27 February 2020	147.0	(12.5)	134.5
Issued on exercise of employee share options	-	-	-
Issued in rights issue	67.3	-	67.3
At 27 August 2020	**214.3**	**(12.5)**	**201.8**

15. Related party disclosure

In Note 32 to the Annual Report and Accounts for the year ended 27 February 2020, 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 27 August 2020 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 25 February 2021. All transactions with subsidiaries are eliminated on consolidation.

16. Capital expenditure commitments

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

	27 August 2020 £m	29 August 2019 £m	27 February 2020 £m
Property, plant and equipment	**126.4**	203.1	168.8
Intangible assets	**3.0**	0.5	0.5

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

	6 months to 27 August 2020 £m	6 months to 29 August 2019 £m
Cash (used in)/generated from operations		
(Loss)/profit for the period	**(660.5)**	172.2
Adjustments for:		
Tax (credit)/expense	**(64.2)**	47.7
Net finance costs (Note 5)	**72.3**	60.8
Share of loss from joint ventures	**4.5**	2.3
Depreciation and amortisation	**145.9**	130.8
Share-based payments	**5.2**	6.3
Impairments (Note 10)	**348.1**	23.5
(Gains)/losses on disposals, property and other provisions (Note 4)	**(1.8)**	0.2
Other non-cash items	**29.4**	(16.4)
Cash (used in)/generated from operations before working capital changes	**(121.1)**	427.4
(Increase)/decrease in inventories	**(8.1)**	0.5
Decrease/(increase) in trade and other receivables	**12.7**	(7.9)
Decrease in trade and other payables	**(133.6)**	(53.9)
Cash (used in)/generated from operations	**(250.1)**	366.1

Other non-cash items includes an inflow of £14.0m (2019: outflow of £16.0m) representing a timing difference between the recognition of insurance proceeds and cash receipts, an inflow of £12.4m (2019: £nil) representing the write off of a deposit paid in relation to an acquisition (see Note 4), an inflow of £0.4m (2019: outflow of £2.3m) as a result of net provision movements and an inflow of £1.5m (2019: £1.5m) representing non-cash pension scheme administration costs.

18. Business combinations

Acquisition of Foremost Hospitality Hiex GmbH
On 28 February 2020, the Group acquired 100% of the share capital of Foremost Hospitality Hiex GmbH for consideration of £225.8m. The acquisition consists of 13 trading hotels which have been rebranded to Premier Inn as well as the leasehold for a further six pipeline sites. The transaction forms part of the Group's strategic priority of international growth.

Trading hotel leases
The Group has recognised right-of-use assets and lease liabilities in relation to the 13 hotels which have been rebranded.

Pipeline hotel leases
Three of the pipeline sites are open and will continue to be operated by a third party. The Group has acquired the headlease for these sites and is subleasing them for a period of up to two years. The Group has recognised investment property and lease liabilities in relation to these sites. Upon expiration of the sublease, the Group will take over the operations of these sites and the investment property will be transferred to right-of-use assets.

The remaining three pipeline sites are still undergoing development with lease commencement tied to the completion of this work. The Group has committed cash outflows in relation to lease payments for the sites in development of £76.3m. Once development is complete and the sites are open, the Group will recognise the related lease liability and right-of-use assets.

Contingent consideration
Contingent consideration is classified as a level 3 financial instrument and is measured at fair value using the expected future payments discounted at a risk adjusted discount rate. The consideration will be paid in instalments when the Group takes control of the operations of the pipeline hotels. Contingent consideration is recorded within trade and other payables in the consolidated balance sheet.

	£m
Consideration transferred	
Cash	169.5
Deferred consideration	(0.6)
Contingent consideration	56.9
Total consideration	**225.8**
Fair value of net assets acquired	
Property, plant and equipment	6.0
Right-of-use assets - investment property	51.9
Right-of-use assets – property, plant and equipment	193.3
Trade and other receivables	0.5
Cash and cash equivalents	1.4
Total assets acquired	253.1
Trade and other payables	(2.8)
Deferred tax liabilities	(3.5)
Lease liabilities	(245.2)
Total liabilities acquired	**(251.5)**
Net identifiable assets acquired at fair value	**1.6**
Goodwill arising on acquisition	**224.2**
Purchase consideration transferred	**225.8**

Subsequent to the acquisition, an impairment of the goodwill arising on acquisition has been recorded (see Note 10 for further details). None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, the acquiree has contributed £2.9m of revenue and £12.7m of loss before tax.

19. Events after the balance sheet date

On 22 September 2020, the Group entered into a consultation process with UK hotel and restaurant employees on proposals that could result in up to 6,000 redundancies, of which it is hoped that a significant proportion can be achieved voluntarily, along with reductions in contracted hours. One-off costs, expected to be between £12.0m and £15.0m will be recorded in the second half of the financial year.

On 27 October 2020 the Group announced the acquisition of a portfolio of up to 15 hotels in Germany operating under the brands Centro, Ninetynine and Fourside. The total cost of the acquisition, including converting to the Premier Inn brand is €40.0m-€50.0m. The deal is due to complete in December 2020. On completion the impact of IFRS 16 on the leases acquired will be assessed.

INDEPENDENT REVIEW REPORT TO WHITBREAD PLC

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 27 August 2020 which comprises the income statement, the statement of comprehensive income, the statement of changes in equity, the balance sheet, the cash flow statement and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 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. 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.

Conclusion

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 27 August 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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
26 October 2020

Glossary

Accommodation sales
Premier Inn accommodation revenue excluding non-room income such as food and beverage.

Adjusted basic EPS†
Adjusted profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the period after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT).
Closest IFRS measure: Basic EPS
Reconciliation: Note 8

Adjusted EBITDA (post-IFRS 16)†
Profit before adjusting items, interest, tax, depreciation and amortisation.
The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Adjusted EBITDA (pre-IFRS 16)†
Profit before adjusting items, interest, tax, depreciation and amortisation and after deducting rent expense. The directors consider this to be a useful measure to enable comparison between periods following adoption of IFRS 16.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Adjusted EBITDAR†
Profit before adjusting items, interest, tax, depreciation and amortisation, variable lease payments and rental income.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Adjusted net cash/(debt)†
Net cash/(debt) 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.
Closest IFRS measure: Cash and cash equivalents less borrowings
Reconciliation: Refer below

Adjusted operating profit†
Operating profit before adjusting items.
Closest IFRS measure: Profit before tax
Reconciliation: Consolidated income statement

Adjusted operating profit (pre-IFRS 16)†
Operating profit before adjusting items and after replacing right-of-use asset depreciation with rent expense. The directors consider this to be a useful measure to enable comparison between periods following the adoption of IFRS 16.
Closest IFRS measure: Profit before tax
Reconciliation: Refer below

Adjusted profit before tax†
Profit before tax and adjusting items.
Closest IFRS measure: Profit before tax
Reconciliation: Consolidated income statement

Adjusted profit before tax (pre-IFRS 16)†
Profit before tax and adjusting items and after replacing right-of-use asset depreciation and lease liability interest with rent expense. The directors consider this to be a useful measure to enable comparison between periods following adoption of IFRS 16.
Closest IFRS measure: Profit before tax
Reconciliation: Refer below

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

Adjusted revenue†
Revenue adjusted to exclude the TSA income. The directors consider this to be a useful measure as TSA income is connected to the disposal of Costa which was a non-recurring event.
Closest IFRS measure: Revenue
Reconciliation: Consolidated income statement

Adjusted tax†
Tax expense before adjusting tax items.
Closest IFRS measure: Tax expense
Reconciliation: Consolidated income statement

Average room rate (ARR)†
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.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Glossary (continued)

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

Committed pipeline
Sites where the Group 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 via the Premier Inn website, Premier Inn app, Premier Inn customer contact centre or hotel front desks.

Discretionary free cash flow†
Cash generated from operations after payments for interest, tax, payment of principal of lease liabilities and maintenance capital expenditure. The directors consider this to be a useful measure as it is a good indicator of the cash generated which is available to fund future growth or shareholder returns.
Closest IFRS measure: Cash generated from operations
Reconciliation: Financial review

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

IFRS
International Financial Reporting Standards.

Lease debt
Eight times adjusted property rent. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.

Lease-adjusted net debt†
Adjusted net cash/(debt) plus lease debt. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.
Closest IFRS measure: Borrowings less cash and cash equivalents
Reconciliation: Refer below

Lease-adjusted net debt: FFO†
Ratio of lease-adjusted net debt compared to funds from operations (FFO). The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.
Closest IFRS measure: No direct equivalent

Like-for-like sales†
Period over period 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.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Net cash/(debt)†
Cash and cash equivalents after deducting total borrowings. The directors consider this to be a useful measure of the financing position of the Group.
Closest IFRS measure: Cash and cash equivalents less borrowings
Reconciliation: Note 11

Net cash/(debt) and lease liabilities†
Net cash/(debt) after deducting lease liabilities.
Closest IFRS measure: Cash and cash equivalents less borrowings and lease liabilities
Reconciliation: Refer below

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

Operating profit
Profit before net finance costs and tax.

Property rent
IFRS 16 property lease liability payments 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.

RevPAR†
Revenue per available room is also known as 'yield'. This hotel measure is achieved by multiplying the average room rate (ARR) by Occupancy. The directors consider this to be a useful measure as it is a commonly used performance measure in the hotel industry.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Glossary (continued)

†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.

Return on capital and funds from operations are no longer disclosed and are therefore not included in the reconciliations.

Reconciliations of APMs

Adjusted (loss)/profit before tax (pre-IFRS 16)	**6 months to 27 August 2020 £m**	6 months to 29 August 2019 £m
Adjusted (loss)/profit before tax	**(367.4)**	235.6
Depreciation – right-of-use assets	**61.0**	50.3
Interest on lease liabilities	**61.0**	57.0
Rent expense	**(105.1)**	(91.7)
Adjusted (loss)/profit before tax (pre-IFRS 16)	**(350.5)**	251.2

Adjusted operating (loss)/profit (pre-IFRS 16)	**6 months to 27 August 2020 £m**	6 months to 29 August 2019 £m
Adjusted operating (loss)/profit	**(295.1)**	296.4
Depreciation – right-of-use assets	**61.0**	50.3
Rent expense	**(105.1)**	(91.7)
Adjusted operating (loss)/profit (pre-IFRS 16)	**(339.2)**	255.0

Adjusted EBITDA and Adjusted EBITDAR	**6 months to 27 August 2020 £m**	6 months to 29 August 2019 £m
Adjusted operating (loss)/ profit	**(295.1)**	296.4
Depreciation – right-of-use assets	**61.0**	50.3
Depreciation – property, plant and equipment	**73.3**	70.9
Amortisation	**11.6**	9.6
Adjusted EBITDA (post-IFRS 16)	**(149.2)**	427.2
Variable lease payments	**(0.6)**	1.4
Rental income	**(3.9)**	(1.9)
Adjusted EBITDAR	**(153.7)**	426.7
Rent expense, variable lease payments and rental income	**(100.6)**	(91.2)
Adjusted EBITDA (pre-IFRS 16)	**(254.3)**	335.5

Lease adjusted net debt	**27 August 2020 £m**	29 August 2019 £m
Net cash/(debt)	**196.4**	(77.5)
Restricted cash adjustment	**(10.0)**	(10.0)
Adjusted net cash/(debt)	**186.4**	(87.5)
Lease debt	**(1,588.0)**	(1,404.0)
Lease-adjusted net debt	**(1,401.6)**	(1,491.5)

Net cash/(debt) and lease liabilities	**27 August 2020 £m**	29 August 2019 £m
Net cash/(debt)	**196.4**	(77.5)
Lease liabilities	**(2,961.6)**	(2,497.6)
Net cash/(debt) and lease liabilities	**(2,765.2)**	(2,575.1)

Reconciliations of APMs (continued)

Like for like sales and RevPAR	6 months to 27 August 2020	6 months to 29 August 2019	Growth
Accommodation sales – UK and Ireland[1] (£m)	**155.4**	697.3	**(77.7)%**
Accommodation sales – international (£m)	**4.9**	3.0	
Accommodation sales (£m)	**160.3**	700.3	
LFL UK accommodation sales	**(78.2)%**	(3.6)%	
Contribution from net new hotels	**0.5%**	3.0%	
Total UK accommodation sales growth	**(77.7)%**	(0.6)%	
Accommodation sales – UK (£m)	**155.4**	697.3	
Available rooms UK (000)	**14,303**	13,894	
RevPAR (£)	**10.87**	50.19	

[1] Accommodation sales – UK and Ireland includes one site in each of Jersey and the Isle of Man