WHITBREAD 2017/18 interim results

24 October 2017 - Whitbread PLC results for six months to 31 August 2017

Significant strategic progress in the UK and Internationally

- Over 2,000 new Premier Inn rooms opened in the UK in the first half and maturing well
- New Costa breakfast and lunch ranges successfully launched throughout the UK
- Premier Inn Germany accelerating new hotel pipeline – 1 open & 9 secured pipeline hotels
- Costa South China joint venture partner buy-out in October for £35 million enabling full control
- Efficiency programme gaining momentum with over £60 million delivered over last two years

Good financial performance in line with expectations and on track for the full year

	H1 FY18	H1 FY17	*Change*
Revenue	£1,671m	£1,556m	*7.4%*
Underlying operating profit[1]	£342m	£320m	*7.1%*
Underlying profit before tax[1]	£328m	£307m	*6.7%*
Statutory operating profit	£336m	£282m	*19.3%*
Statutory profit before tax	£316m	£264m	*19.9%*
Underlying basic earnings per share[1]	143.7p	133.9p	*7.4%*
Statutory basic earnings per share	137.7p	111.4p	*23.6%*
Interim dividend per share	31.4p	29.9p	*5.0%*
Discretionary free cash flow[2]	£293m	£269m	*9.3%*
Capital expenditure	£269m	£329m	*£60m*
Return on capital[3]	15.4%	15.1%	*30bps*

- Strong revenue growth of 7.4% and market share gains in both Premier Inn[4] and Costa
- Disciplined cost management enabling underlying profit growth of 6.7% to £328 million
- Premier Inn underlying operating profit growth to £295 million, Costa constant at £65 million
- Good discretionary free cash flow conversion of 86%, delivering £293 million to reinvest
- Strong balance sheet with net debt[5] reduced to £852 million
- Return on capital increased 30 bps to 15.4%, despite scale of recent investment

Alison Brittain, Whitbread Chief Executive Officer, commented:

"I am pleased with the progress we have made in executing the plan we set out in November last year, with earnings per share up 7.4% in the half and return on capital of 15.4%. Our plan is based on growing in our core UK markets; focusing on structural growth opportunities for Premier Inn in Germany, Costa in China and Costa Express; and strengthening our capabilities and efficiency to deliver these attractive opportunities.

In our core UK markets, we have:

- opened over 2,000 Premier Inn rooms in the last six months;
- developed digital capabilities central to our operating model in Premier Inn, which has enabled new tools such as our automated trading engine and business booker;
- increased the proportion of hotel customers booking with us directly to 95%;
- strengthened new Costa store pipeline, focused on growth channels; and
- developed product innovation capability in Costa which has already launched new breakfast and lunch ranges, combined with new coffees and cold drinks.

We have also made significant progress in simplifying our international business and creating platforms for sustainable growth over the longer term. This progress includes:

- completion of the exit of non-core international operations, including hotels in India, Thailand, Singapore and Indonesia and our equity owned Costa business in France;
- the buy-out of our joint venture partner for Costa in South China giving us full strategic and funding flexibility to unlock Costa's potential in China; and
- accelerating the expansion of Premier Inn in Germany, with nine hotels now in our committed pipeline in addition to our existing hotel, resulting in an open and secured pipeline of over 2,000 rooms.

This amount of change and growth requires us to manage and execute in a more efficient and technology enabled manner. Whitbread's investment in improving shared capabilities are critical to enable both Premier Inn and Costa to deliver their plans in the UK and internationally. Work to improve our capabilities over the last two years has included:

- building a strong management team, completed with the new Group Transformation Director;
- creating a shared digital and technology infrastructure;
- delivering over £60 million of efficiency savings over the last two years as part of our £150 million target with growing confidence on the long term potential; and
- enhancing our property capability and strategy.

We have significant structural growth opportunities, in the UK and internationally, and confidence in our plans to capitalise on these opportunities. Despite the well known short term economic uncertainty, our performance in the first half was good and we expect to meet expectations for the full year. Although we remain cautious on the current environment, we are confident that ongoing disciplined allocation of capital and focus on executing our plans will deliver long term growth in earnings and dividends and a strong return on capital."

Richard Baker, Whitbread Chairman commented:

"In the year that Whitbread celebrates its 275th birthday, I am pleased to see another good performance as we continue to invest in the compelling long-term opportunities available to our businesses. We have maintained a strong balance sheet and continue to generate excellent cash flow, which together provides the Board with confidence to increase the interim dividend to 31.4p."

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Footnotes and definitions are contained immediately prior to the financial statements.

For photographs and video please visit our media library on www.whitbreadimages.co.uk.

A presentation for analysts will be at 9.30am on 24 October 2017 at Deutsche Bank, 1 Great Winchester Street, London, EC2N 2DB. A webcast of the presentation will be available through www.whitbread.co.uk/investors or https://3xscreen.videosync.fi/2017-10-24_whitbread.

Strong progress with our clear plan for growth

In November 2016, Whitbread set out a plan for sustainable long-term growth. This plan was based on the strong fundamentals that underpin Whitbread, Premier Inn and Costa:

- there are significant structural growth opportunities for Premier Inn and Costa, both in the UK and internationally;
- Premier Inn and Costa both have unrivalled brand strengths;
- Whitbread has a strong track record for disciplined capital management;
- Whitbread has clear plans to grow Premier Inn and Costa at a good return on capital; and
- Whitbread has a consistent history of focusing on creating shareholder value.

Despite continued uncertainty in the near term economic and political environment, these fundamentals are as relevant as ever.

The plan remains consistent in focusing on:

1. Grow and innovate in the core UK markets for Premier Inn and Costa
2. Focus on the strengths developed by Whitbread in the UK to grow internationally, in particular in Premier Inn in Germany, Costa in China, and Costa Express in multiple countries
3. Build and enhance the necessary capabilities and infrastructure to support long-term growth and efficiency.

Disciplined execution of this plan will enable long-term growth in earnings and dividends, combined with a strong return on capital.

Significant structural opportunities

Whitbread's plan for growth is centred on compelling structural growth opportunities being available for both Premier Inn and Costa in the UK and select markets internationally.

UK - Premier Inn

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

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

UK - Costa

Costa has a leading position in the structurally attractive UK coffee market, with more than 2,300 stores throughout the country. This leading position has been built on Costa's strong coffee credentials, combined with Whitbread's strengths as an employer of choice and in property management.

Allegra, the leading coffee industry body in the UK, has forecast coffee outlets to grow in the UK by 5-6% per annum over the next few years. The UK is also entering the 'third wave' of coffee - a period in which consumers' preferences for coffee become more sophisticated and are willing to spend more per cup for higher quality and innovative drinks. As market leader, Costa has a prime opportunity to capitalise on these attractive structural trends.

International – Premier Inn in Germany

The hotel market in Germany is a highly attractive opportunity:

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

Premier Inn's unique business model of high quality, consistency and value for money resonates well with guests in the first Premier Inn hotel, which was opened in Frankfurt in 2016.

International – Costa in China

The coffee market in China is still relatively new, with fewer than 4,000 specialist coffee shops – half of which being the market leader. The coffee shop market in China is expected to more than double in size by 2020 and an opportunity exists to position Costa as the strongest challenger to the market leader.

1. Grow and innovate in our core UK markets

Premier Inn

- Majority of 85,000 rooms target now secured in new hotel pipeline
- Around 85% of rooms now refurbished to our modern room formats
- Over 95% of customers booking direct
- The clear first choice hotel for business and leisure travellers with over 80% occupancy

Premier Inn UK estate metrics

	H1 FY18	H1 FY17	*Change*
# hotels	771	746	*3.4%*
# rooms	70,120	65,770	*6.6%*
Direct booking	95%	93%	*200bps*
Occupancy	81.8%	82.6%	*(80)bps*
Average rate per room	£65.40	£63.62	*2.8%*
Revenue per available room	£53.46	£52.53	*1.8%*
Total hotel & restaurant revenue growth	6.4%	6.5%	*(10)bps*

Premier Inn is firmly on track to have 85,000 rooms by 2020 from 70,120 rooms at the end of the half, with over 2,000 new rooms opened in the last six months. The majority of the pipeline to 85,000 rooms is now secure, with property and network planning teams now turning their attention to capacity growth beyond this milestone.

Despite the significant increase in rooms over recent years, occupancy remained above 80% and the proportion of rooms being sold directly increased to 95%. This industry-leading rate of 95% was made possible through recent investments in premierinn.com which further enhanced the automated trading engine, improved the overall online and booking experience and introduced a new business booking tool. Approximately 24% of Premier Inn revenue is generated from business account customers. These customers now have access to a dedicated online portal, which provides enhanced management information and offers special rates.

Improvements in the booking tool have been matched by further investment in improving quality and consistency throughout the hotel network. Around 85% of Premier Inn rooms are now in the most recent room formats, ensuring more customers can enjoy a high quality and consistent experience.

Our Hub by Premier Inn hotel format has gained further traction, with eight hotels comprising 1,600 rooms now open in London and Edinburgh. Hub provides a high quality and affordable experience in inner city locations and embeds technology throughout the customer journey, from booking via mobile, paperless check-in and in-room functions controlled via a dedicated mobile app. Strong customer response to this innovative format and integrated direct booking through premierinn.com enables new Hub hotels to mature quickly, with all hotels achieving a 4.5 rating on TripAdvisor.

Costa

- Over 230 new equity & franchised stores (net 205) opened in the last year with 32 closures
- Network plan focusing on fast growing retail and travel channels
- Costa Express expanding with 25% increase in machines over last 12 months and new partners
- New breakfast and lunch ranges launched throughout the UK
- Loyalty technology re-platformed to enable better digital interaction
- Upweighted coffee and food innovation capability in place

Costa UK metrics

	H1 FY18	H1 FY17	*Change*
H1 UK equity stores like for like sales growth[6]	0.6%	2.3%	
# high street stores	447	426	*4.9%*
# shopping mall & retail park stores	393	376	*4.5%*
# drive thru stores	68	42	*61.9%*
# concessions & transport stores	384	356	*7.9%*
# office stores	33	32	*3.1%*
# franchise	1,001	889	*12.6%*
# Costa Express machines	6,688	5,323	*25.6%*

Costa has undertaken a significant amount of strategic activity over the past 18 months. This has included reshaping store network plans towards growth channels, creating a strong pipeline of coffee and food product innovation and progress with our digital initiatives.

Costa has a large store estate of 2,326 stores throughout the UK in a number of channels and formats. Costa generates a high return on capital and, with a short-leasehold model, ensures estate management is focused on higher growth channels and provides flexibility in churning the existing estate. In the year ahead, approximately two-thirds of new stores will be in the high growth channels of drive thru stores, transport locations and retail parks.

Following the development of our new product innovation team, a new range of breakfast food was launched in the first quarter. Customer feedback has been strong with like for like breakfast food volume growing by 9% in the period since launch. Further work is underway to supplement this new breakfast offering. To complement the strong launch of the breakfast range, a new range of salads was launched over the summer and new hot food in September. Initial performance has been encouraging.

In addition to the introduction of the new food range, Costa launched new cold drinks in advance of the summer, including cold brew coffee, frostino iced drinks and a trial of nitro coffee. The recently formed innovation team has also created a strong pipeline of new hot and cold drinks to launch in the year ahead.

Costa and Whitbread digital teams continued to work at pace during the half, which resulted in the completion of a new loyalty data platform. This platform will enable further improvements in 2018 to the Costa Club digital application, enhanced direct communication with customers and improvements to the in-store experience for Costa Club members.

The growth of Costa Express also continued with 1,365 new machines in the last 12 months in the UK, adding 25% capacity. Costa Express machines offer a high incremental return on capital to Whitbread and provide partners with an attractive income stream. All Costa Express machines are connected through in-house developed telemetry, which ensures low maintenance for partners and greater consistency of availability. During the period a new partnership was agreed with WM Morrisons Supermarkets.

2. Focus on our strengths to grow internationally

Completed exit of non-core and underperforming operations

We have now completed the exit of all non-core international operations for both Premier Inn and Costa. This activity has included the closure of the equity owned Costa business in France and the disposal and exit of all 11 hotels and management agreements in India, Thailand, Singapore and Indonesia. These exits have been completed slightly ahead of previous financial guidance and now enable the teams to focus international efforts on developing Premier Inn in Germany and Costa in China.

Premier Inn Germany

Given the scale and attractive nature of the opportunity in Germany, a further four property deals have been completed, bringing the total committed pipeline to nine hotels, comprising 2,000 rooms. This is in addition to the existing 210 room hotel in Frankfurt, which continues to perform well and consistently ranks as the #1 hotel of 272 listed in Frankfurt by TripAdvisor.

The 10 open or committed hotels, and supporting team, provide a strong platform for further organic expansion and the evaluation of other opportunities to accelerate Premier Inn's ambition in this attractive market.

Costa China | Completed buy-out of South China joint venture partner

On 10 October 2017 Whitbread announced the buy-out of the 49% share in the South China joint venture held by Yueda for RMB 310 million (£35 million). The South China operation comprises approximately 250 stores. The partnership with Yueda was essential in the first phase of Costa's development in China, but full control will enable a greater level of focus on improving the overall proposition and reshaping the store network to have broader and deeper representation in key cities. The strong partnership with BHG in North China will continue unaffected.

Work to improve the proposition in China has continued alongside the ownership changes, to ensure store level economics support the strong growth planned. Last year, five underperforming stores were selected to trial a new concept. The improvements included significant changes in store design, new products and team training. These stores have delivered a strong uplift in sales. This strong performance provides confidence in the customer offer and the opportunity to extend the store network to approximately 700 stores by 2020, with significant opportunity beyond this over the longer term.

Other international activity

Costa Express continued its international expansion with a further 140 machines in Europe, the Middle East and Malaysia. Costa Express has been introduced to Malaysia, with over 100 machines installed to date. This has been received well, following a tailored launch with iced coffees. Customer feedback has been excellent, with many machines serving more than 70 cups per day.

Costa Poland performed well with good like for like sales growth. There are now approximately 140 Costa stores across 21 cities. During the half, new products were successfully launched including bacon baguettes and cold brew coffee.

Premier Inn in the Middle East continues to perform well against tough market conditions, with good occupancy levels and strong customer feedback. We have a productive partnership with Emirates, with a hotel recently opened in Doha, comprising 219 rooms, and plans for one further 389 room hotel in Dubai, due to open in 2018. Costa in the Middle East has also experienced tough market conditions, resulting in a decline in sales during the half.

3. Build capability to support long term growth

Winning teams

The breadth and scale of Whitbread enables superior attraction and retention of talented people. As Whitbread entered a new phase of growth, a different mix of skills was required. The Executive Team was completed in September with the appointment of a new Group Transformation Director, responsible for improving our supply chain and procurement capabilities. New labour scheduling tools have also been implemented in both Restaurants and Costa to ensure that the right level of service can be delivered, at the right time.

Everyday efficiency

Last year Whitbread began a multi-year programme to generate £150 million of efficiency savings. This programme has already delivered approximately £60 million of savings from a combination of procurement benefits and shared services, which provides growing confidence in the longer term potential. The new Group Transformation Director will oversee the second phase of activity involving further shared procurement and evolving the supply chains across Premier Inn and Costa. Work in the period included consolidation of housekeeping supply and laundry contracts in Premier Inn and shared procurement of software and IT services.

Property expertise

Whitbread owns and manages more than 3,000 sites in the UK and internationally, and supports more than 1,400 franchised outlets. As such, property site selection, development, management and longer-term optimisation is a core capability. Freehold property development and ownership is a core competitive advantage as it provides superior access to sites (which may not be available through leasehold) and ensures hotels are designed and constructed to the best possible specification for the Premier Inn model. Ongoing freehold ownership provides flexibility to extend hotels, reduces profit volatility through the cycle and provides Whitbread with a strong covenant for superior access to leasehold properties. During the half, the property teams added 1,870 rooms to the Premier Inn pipeline, including six new hotels.

As laid out in our property strategy in November 2016, the level of freehold sale and leaseback transactions has been increased in order to recycle capital into new developments, improve liquidity and demonstrate the strength of Whitbread's balance sheet. To this end, a forward funding transaction was completed in relation to a 246-room Hub hotel development in Shoreditch in London. Whitbread receives £52 million and will enter into a 25-year lease, at a yield of 3.9%, on completion of the development. Total proceeds of circa £100 million are expected to be received from sale and leaseback transactions in the year.

Improving digital capabilities

Whitbread's scale enabled the creation of a shared digital and technology function. This team has been instrumental in the advances made in developing premierinn.com and re-platforming Costa's legacy loyalty platform. During the half, the replacement of core finance systems in Premier Inn was also completed, which enables enhanced performance insight and reduces manual intervention. Work has already begun to extend these systems to support improvements in the finance function of Costa. The roll-out of new tills in Costa is also progressing, which will speed up transactions and enable click and collect to be completed in 2018.

A Force for Good

Earlier this year the Force for Good programme was initiated to integrate the numerous activities Whitbread conducts to ensure the long-term sustainability of its businesses. The Force for Good programme focuses on three central themes:

- Providing a working environment where all team members can reach their potential;
- Making meaningful contributions to the communities in which Whitbread operates; and
- Treating people and the environment with respect.

Whitbread's attractiveness as an employer includes a large-scale apprenticeship programme, broad training and development programmes, and pay for progression as a key underlying principle. This enables Whitbread to compete well in attracting people to all positions and provide rewarding careers, which increases team retention. Whitbread has invested almost £2 million to date and over 11,000 qualifications have been gained. Over 2,000 full apprenticeships have been achieved since 2009 and more than 750 are currently underway. This year, Whitbread was also listed 8th in the Sunday Times 'Best Big Companies to Work For' ranking.

The Premier Inn team completed fund raising activities to support the construction of a new clinical building at Great Ormond Street Hospital, which is set to open in November. The Costa Foundation provides education through 75 schools in nine coffee growing regions and, to date, more than 60,000 children have benefitted.

The initiative begun by Costa to recycle not only its own cups, but also those from other coffee shops, gained further traction, with now over 9 million cups recycled through us in 8 months. This year, Whitbread also moved to a 100% renewable supply contract, under which all electricity comes from green sources including wind and hydro power.

Long term ambition

Whitbread has achieved a significant amount in the past 18 months to improve capabilities and ensure a strong platform is in place to deliver sustainable growth over the medium term in the UK and internationally. Progress has been made whilst maintaining a strong balance sheet, growing revenue and earnings and maintaining a strong return on capital.

In the UK, Premier Inn has a secure pipeline to 85,000 rooms and clear ambition to beyond 100,000 rooms. Despite significant capacity growth, Premier Inn remains the hotel group with the highest value for money scores. Costa has made good progress in building a pipeline of innovation for new drinks, new food ranges, improvements in digital technology and investment in store standards. These improvements enable Costa to continue to be the UK's favourite coffee shop[7] and grow to 3,000 stores over the longer term.

Internationally, Premier Inn's expansion into Germany has accelerated and a strong foundation has been established to enable longer term growth, in order to replicate the success of Premier Inn in the UK. Costa in China is now in a stronger position to deliver its plans following the buyout of its joint venture in South China, combined with its existing successful partnership with BHG in North China.

Investing in Whitbread's capabilities to achieve these ambitious plans has continued, but more remains to be done. Supply chain development, procurement efficiency and technology advancements are now possible following the improvements in the team over the past two years. The property strategy has been refined, with an increase in sale and leaseback transactions, whilst remaining majority freehold in the Premier Inn estate. These improvements enable the plan to be executed which will deliver long term, sustainable growth in earnings and dividends, combined with strong return on capital.

Good financial performance in line with expectations

- Strong revenue growth across all businesses
- Disciplined cost management delivering profit growth of 6.7% to £328 million, in line with expectations
- Strong discretionary cash generation of £293 million supports ongoing investment
- Strong balance sheet with net debt reduced to £852 million
- Return on capital increased to 15.4%, despite recent investments yet to mature
- Confidence in sustainable growth supports increase in interim dividend to 31.4p

Premier Inn | Continued strong financial performance

- Good revenue growth of 6.4% delivered through market leading occupancy and room growth
- Restaurants performance improved with 1.1% like for like sales growth
- Efficiency programmes supporting sustainable profit growth
- International exits reducing losses and profitability drag
- Maintaining high return on capital on a growing capital base

Premier Inn financial highlights

	H1 FY18	H1 FY17	*Change*
Revenue	**£1,052m**	**£988m**	***6.4%***
UK (inc. restaurants / F&B)	£1,049m	£985m	*6.4%*
International	£3m	£3m	*n.m.*
Underlying operating profit	**£295m**	**£272m**	***8.9%***
UK (inc. restaurants / F&B)	£297m	£275m	*8.1%*
International	£(2)m	£(3)m	*n.m.*
Statutory profit before tax	**£295m**	**£233m**	***26.5%***
Other metrics			
H1 Premier Inn total sales growth*	8.3%	8.9%	
H1 UK Premier Inn like for like sales growth*	3.6%	2.4%	
Q2 UK Premier Inn like for like sales growth*	2.6%	2.7%	
H1 Restaurants like for like sales growth	1.1%	0.3%	
Q2 Restaurants like for like sales growth	1.6%	0.5%	
Return on capital	13.4%	13.0%	

**Excludes Restaurants*

Premier Inn (including Restaurants) had another good performance in the first half, with revenue increasing 6.4% to £1,052 million (H1 FY17: £988 million) and underlying operating profit growing 8.9% to £295 million (H1 FY17: £272 million). This strong profit growth led to an increase in return on capital to 13.4% (H1 FY17: 13.0%), despite further capital investment in Premier Inn of £214 million.

In the UK, Premier Inn (including Restaurants) increased revenue by 6.4% to £1,049 million (H1 FY17: £985 million) and grew underlying operating profit at a faster rate of 8.1% to £297 million (H1 FY17: £275 million). Good revenue growth was a mix of high like for like room sales growth and the benefit of new rooms opened in the last 12 months. Like for like Premier Inn sales growth (excluding Restaurants) of 3.6% (H1 FY17: 2.4%) was the result of an increase in the average rate charged per room of 2.8% to £65.26 (H1 FY17: £63.48) and the benefit of hotel extensions, offset by a modest reduction in occupancy to 81.8% (H1 FY17: 82.6%). Like for like RevPAR was up 1.8% with RevPAR in catchments with no Premier Inn capacity growth up circa 3.3%, comparable with the midscale and economy market RevPAR growth of 3.5%.

In London, we were pleased with Premier Inn's performance with total sales up 9.9%, with 8.2% growth coming from new hotels. Despite the additional capacity, like for like occupancy was high at 86.4% and like for like RevPAR increased 2.2%. The midscale and economy market RevPAR was up 4.9%.[8]

In the regions, Premier Inn's total sales growth was again strong, increasing 7.7%, with like for like RevPAR up 1.9% and like for like sales growth of 4.0%, supported by 1,400 extension rooms opened over the last 12 months. The midscale and economy market RevPAR was up 3.2%.

This strong growth is due to maintaining consistent high quality throughout the hotel estate, combined with offering excellent value for money, which has been enhanced through the introduction of the automated trading engine last year.

Strong progress in efficiency activities, combined with the benefit of sales growth, enabled underlying operating profit margins to increase to 28.1% (H1 FY17: 27.5%). The ongoing everyday efficiency programme provided a benefit to underlying operating margin of 160 basis points, whilst increased sales and new capacity contributed 180 basis points. This ensured that that the increase in product costs, labour costs and business rates, which impacted margins by 260 basis points, could be offset. However, the timing of investment in FY18 is more weighted towards the second half of the year.

The food and beverage offer, which is integral to the overall Premier Inn experience, also performed well. Restaurants revenue grew 2.0%, with like for like sales growth of 1.1% (H1 FY17: 0.3%). The good like for like growth was a result of all Beefeater restaurants now being refurbished to the latest “orange cow” format, enhancements to menus across Thyme, Beefeater and Brewers Fayre restaurants and increased take-up of hotel guests for breakfast.

During the half the exit of all hotels in India, Thailand, Singapore and Indonesia was completed. As a result of these exits, underlying operating losses from Premier International were reduced to £(2) million (H1 FY17: £(3) million).

Costa | Revenue growth and earnings as expected

- Strong revenue growth underpinned by ongoing UK & international expansion
- UK like for like sales remain positive against tough market conditions
- Improvement in like for like performance in China
- Costa Express growth in the UK and international continues with 767 net new machines
- Underlying operating profit in line with expectations
- Strong return on capital returning to normalised levels following recent investment

Costa financial highlights

	H1 FY18	H1 FY17	*Change*
Revenue	**£622m**	**£570m**	***9.1%***
UK	£542m	£500m	*8.3%*
International	£80m	£70m	*15.4%*
Underlying operating profit	**£65m**	**£65m**	***0.3%***
UK	£61m	£64m	*(4.6)%*
International	£4m	£1m	*n.m.*
Statutory profit before tax	**£59m**	**£65m**	***(9.8)%***
Other metrics			
H1 UK equity stores like for like sales growth	0.6%	2.3%	
Q2 UK equity stores like for like sales growth	0.1%	2.0%	
H1 UK Express total sales growth	17.7%	21.9%	
Return on capital	39.9%	41.8%	

Costa grew well during the half, with revenue increasing 9.1% to £622 million (H1 FY17: £570 million). Recent significant increases in industry cost structures were offset to an extent by volume benefits and efficiency savings which enabled underlying operating profit to remain flat at £65 million (H1 FY17: £65 million). Holding underlying operating profit flat, combined with recent investment in technology, new stores and the new Roastery, led to return on capital returning to normalised levels at 39.9% (H1 FY17: 41.8%).

In the UK, Costa increased revenue by 8.3% to £542 million (H1 FY17: £500 million). This strong sales growth was principally driven by the addition of 108 net new stores, and the continued strong performance of Costa Express, which grew revenues by 17.7% to £98 million (H1 FY17: £83 million). Like for like sales growth in UK equity Costa stores remained positive at 0.6% following the introduction of an improved breakfast food range and a broader range of cold drinks.

Costa UK underlying operating profit declined by 4.6% to £61 million (H1 FY17 £64 million), in line with previous margin guidance, resulting from a mix of significant increases in labour costs, business rates and foreign exchange impacts on coffee imports, together impacting underlying operating profit margins by 180 basis points. However, these expected cost increases were largely offset by efficiency savings, which delivered a benefit of 150 basis points to underlying margins.

The contribution from Costa's international operations grew to £4 million during the half (H1 FY17: £1 million), following the completion of the exit of operations in France and improvements in China. With further improvements to come in China, along with the buy-out of the joint venture partner in South China, continued growth is expected, requiring greater investment in the short term.

Profit growth | Disciplined cost control underpins profit growth

	H1 FY18	H1 FY17	*Change*
Premier Inn underlying operating profit	£295m	£272m	*8.9%*
Costa underlying operating profit	£65m	£65m	*0.3%*
Central costs	£(18)m	£(17)m	*(9.8)%*
Underlying operating profit	**£342m**	**£320m**	***7.1%***
Underlying net finance costs	£(14)m	£(13)m	*(16.5)%*
Underlying profit before tax	**£328m**	**£307m**	***6.7%***
Non-underlying items	£(12)m	£(43)m	-
Profit before tax	**£316m**	**£264m**	***19.9%***
Tax	£(66)m	£(63)m	*(4.6)%*
Profit for H1	**£250m**	**£201m**	***24.7%***

Growth in profits was due to the strong performance of Premier Inn with an 8.9% increase in underlying operating profit to £295 million (H1 FY17: £272 million). This was partially offset by a small increase in central costs to £18 million (H1 FY17: £17 million), reflecting the ongoing investment building the capabilities across technology, property, supply chain and procurement functions.

Non-underlying items

	H1 FY18	H1 FY17
Disposal of PPE and property provisions	£(8)m	£4m
PI international business exit	£6m	£(35)m
UK restructuring	-	£(11)m
Historic indirect tax disputes	£(4)m	£5m
IAS 19 pension finance cost	£(5)m	£(5)m
Amortisation of acquired intangibles	£(1)m	£(1)m
Total non-underlying items	**£(12)m**	**£(43)m**

During the first half, the international business exits were substantially completed, ahead of schedule and at a lower cost than expected, resulting in a £6 million benefit in the period.

The cash impact of the above non-underlying operating costs was a net cash inflow of £72 million (H1 FY17: £39 million net cash inflow) made up of a cash outflow from operating activities of £14 million (H1 FY17: £15 million outflow) and a cash inflow from investing activities of £86 million (H1 FY17: £54 million inflow).

Further information on non-underlying items is contained in note 3 to the financial statements.

Net finance costs

The underlying net finance cost for the half year was £1 million higher than last year at £14 million (H1 FY17: £13 million), which was principally due to a lower proportion of interest being capitalised against construction projects in progress.

Total net finance costs were £20 million (H1 FY17 £18 million) including the IAS19 pension finance charge of £5 million (H1 FY17: £5 million charge).

Taxation

Underlying tax for the half year amounted to £66 million at an effective tax rate of 20.2% (H1 FY17: 21.2%). Total tax for the half year amounted to £66 million at an effective tax rate of 20.8% (H1 FY17: 23.9%).

Earnings per share

	H1 FY18	H1 FY17	*Change*
Statutory basic earnings per share	137.7p	111.4p	*23.6%*
Statutory diluted earnings per share	137.3p	111.1p	*23.6%*
Underlying basic earnings per share	143.7p	133.9p	*7.4%*
Underlying diluted earnings per share	143.3p	133.4p	*7.4%*

Full details are set out in Note 5 to the financial statements.

Dividend

The interim dividend is 31.4 pence, an increase on last year of 5.0%. Full details are set out in Note 6 to the financial statements. The dividend will be paid on 15 December 2017 to all shareholders on the register at the close of business on 10 November 2017. Shareholders will again be offered the option to participate in a dividend re-investment plan.

Cash generation | Consistent & strong to fund investments

	H1 FY18	H1 FY17
Underlying operating profit	**£342m**	**£320m**
Non-cash items	£126m	£113m
Change in working capital	£(27)m	£(1)m
Maintenance capital expenditure	£(90)m	£(117)m
Interest	£(8)m	£(10)m
Tax	£(50)m	£(36)m
Discretionary free cash flow	**£293m**	**£269m**
Pensions	£(48)m	£(44)m
Dividends	£(120)m	£(113)m
Expansionary capital expenditure	£(179)m	£(212)m
Proceeds from sale & leaseback transactions	£41m	£46m
Proceeds from disposal of business	£45m	£8m
Other	£6m	£(32)m
Net cash flow	**£38m**	**£(78)m**
Opening net debt	£890m	£910m
Closing net debt	**£852m**	**£988m**

Cash generation remained strong in the first half, converting 86% of underlying operating profit into discretionary free cash. This discretionary free cash flow was used to fund our pension contributions of £48 million, dividends payments of £120 million and expansionary capital expenditure of £179 million.

Capital investment | Compelling opportunities to invest at high ROC

	H1 FY18	H1 FY17	*Last 2 years*
Maintenance and product improvement			
Premier Inn	£72m	£92m	*£316m*
Costa	£18m	£25m	*£108m*
Growth			
New / extended UK hotels	£122m	£148m	*£626m*
Premier Inn Germany & International	£20m	£29m	*£127m*
New Costa stores & Express machines	£37m	£35m	*£133m*
Total	**£269m**	**£329m**	***£1,310m***

Capital expenditure during the half decreased to £269 million (H1 FY17: £329 million). The reduction was principally due to the timing of new hotels and hotel refurbishments. Investments in new and extended hotels mature over a 1-3 year period and deliver return on capital above 13%. The pace of investment in new Costa stores and Costa Express machines continued in the half, with a further £37 million of capital. New Costa stores take 1-3 years to reach maturity and deliver return on capital of 30-40%.

Capital discipline | Asset-backed balance sheet provides flexibility

	H1 FY18	FY17	H1 FY17
Net debt	£852m	£890m	£988m
Pension (net of tax)	£335m	£377m	£356m
Lease commitments (@8x)	£2,128m	£2,058m	£1,985m
Adjusted net debt	**£3,315m**	**£3,325m**	**£3,329m**
Freehold / leasehold mix	64:36%	64:36%	63:37%
Adjusted net debt : EBITDAR[9]	3.0x	3.2x	3.3x
Net debt : EBITDA[10]	1.0x	1.1x	1.3x
Fixed charge cover[11]	3.0x	3.0x	3.0x

Whitbread is focused on maintaining its strong financial position and capital structure. To this end, we work within the financial framework of pension and lease adjusted net debt to EBITDAR of less than 3.5 times. At the half year leverage was 3.0 times, providing us with appropriate headroom.

Whitbread has a preference for freehold hotel properties, which provides significant capital flexibility and reduces profit volatility of earnings. Freehold ownership also provides the opportunity to realise development profits through sale and leaseback transactions for properties with limited further development potential.

Sufficient headroom in debt funding facilities are also in place to finance short and medium-term requirements with total committed facilities of approximately £1.8 billion, compared to net debt as at 31 August 2017 of £852 million. Committed debt facilities include US Private Placement loans of £432 million (at the hedged rate), a £450 million bond and a syndicated bank revolving credit facility ("RCF") of £950 million which has recently been extended to September 2022.

Pension

As at 31 August 2017 there was an IAS19 pension deficit of £375 million, which compares to £425 million at 2 March 2017 and £404 million at 1 September 2016. The reduction in deficit of £50 million was primarily due to deficit contributions of £48 million.

Return on capital | Consistently delivering above cost of capital

	H1 FY18	FY17	H1 FY17
Premier Inn	13.4%	13.0%	13.0%
Costa	39.9%	45.4%	41.8%
Whitbread	**15.4%**	**15.2%**	**15.1%**
Impact on the Group of capital invested for future openings	(130)bps	(170)bps	(190)bps

There is currently £253 million of capital invested for future openings. This has an impact on reported return on capital of both Premier Inn and Whitbread of (130)bps.

FY18 outlook | No overall change to Group expectations

We have significant structural growth opportunities in the UK and internationally and confidence in our plans to capitalise on these opportunities. Despite the well known short term economic uncertainty, our performance in the first half was good and we expect to meet expectations for the full year. Although we remain cautious on the current environment, we are confident that ongoing disciplined allocation of capital and focus on executing our plans will deliver sustainable growth in earnings and dividends and a strong return on capital.

New hotels within the UK are expected to contribute approximately 5-6% to total sales growth for the full year, comprising approximately 4,200 rooms openings this year. Costa remains on track to deliver 230-250 new stores and approximately 1,200 new Costa Express machines in the full year.

Going concern

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

Related parties

Related parties have been considered in Note 10 and are therefore not included within this Finance Review.

Post balance sheet events

On 10 October 2017, the Group announced it had acquired the non-controlling interest in Yueda Costa (Shanghai) Food & Beverage Management Company Limited for £35 million. The enterprise was previously fully consolidated, therefore the acquisition will not have an impact on underlying earnings.

An interim dividend of 31.4 pence per share (H1 FY17: 29.9p) amounting to a total of £57 million was declared by the Board on 23 October 2017.

Risks and uncertainties

The directors have reconsidered the principle risks and uncertainties of the Group and these remain unchanged from those reported in the Annual Report and Accounts 2017. 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 addressed by the Group's existing economic climate risk. Going forward we will closely monitor and evaluate any potential areas of risk.

Supplementary information

Further information is available in MS Excel and PDF form from *www.whitbread.co.uk/investors.* This information includes:

- Premier Inn and Costa hotel and store estate data;
- Premier Inn and Costa sales, profit and return on capital information;
- Comparison of Premier UK sales performance to market trends;
- Group income statement; and
- Lease commitments.

American Depositary Receipts

Whitbread has established a sponsored Level I American Depositary Receipt (ADR) programme for which Deutsche Bank perform the role of depositary bank. The Level I 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 performance of the Group is monitored internally using a variety of statutory and alternative performance measures (APMs). APMs are not defined within IFRS and are used to assess the underlying operational performance of the Group and as such these measures should be considered alongside IFRS measures. APMs used in this announcement include like for like sales, underlying operating profit, underlying profit, underlying basic earnings per share, net debt, return on capital, and discretionary free cash flow.

1 ***Underlying profit and underlying EPS***
Profit excluding non-underlying items. Full details of the non-underlying items are set out note 3 to the financial statements. Underlying earnings per share based on the above underlying profit definition and the tax thereon.

2 ***Discretionary free cash flow***
Cash generated from operations after payments for interest, tax and maintenance capital

3 ***Return on capital***
Calculated by dividing the underlying operating profit for the 12 months to 31 August 2017 by net assets at the balance sheet date adding back debt, taxation liabilities and the pension deficit.

4 Unless otherwise stated, "Premier Inn" includes Premier Inn UK, Premier Inn Germany, Premier Inn International and Restaurants. This was previously referred to as Premier Inn & Restaurants.

5 ***Net Debt***
Total company borrowings after deducting cash and cash equivalents

6 ***Like for like sales***
Period over period change in total sales, less sales generated by businesses acquired or disposed of and retail outlets opened or closed during the current year and the previous year. This is stated pre-IFRIC 13 for Premier Inn – UK and Ireland, Costa and Restaurants – UK

7 Source: Allegra

8 Source: STR Global

9 ***EBITDAR***
Underlying earnings before interest, tax, depreciation, amortisation and rent excluding income from Joint Ventures and Associates.

10 ***EBITDA***
Underlying earnings before interest, tax, depreciation and amortisation excluding income from Joint Ventures and Associates.

11 ***Fixed charge cover***
Ratio of underlying operating profit before rent compared to interest plus rent

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, 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 as required by DTR 4.2.4R;
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 31 August 2017 £m**	(Reviewed) 6 months to 1 September 2016 £m	(Audited) Year to 2 March 2017 £m
Revenue	2	**1,671.4**	1,555.9	3,106.0
Operating costs		**(1,336.2)**	(1,275.9)	(2,557.2)
Operating profit before joint ventures and associate		**335.2**	280.0	548.8
Share of profit from joint ventures		**0.8**	1.0	3.2
Share of profit from associate		**-**	0.7	0.7
Operating profit		**336.0**	281.7	552.7
Finance cost	4	**(20.2)**	(18.3)	(37.6)
Finance revenue	4	**0.2**	0.2	0.3
Profit before tax		**316.0**	263.6	515.4
Analysed as:				
Underlying profit before tax		**327.6**	307.0	565.2
Non-underlying items	3	**(11.6)**	(43.4)	(49.8)
Profit before tax		**316.0**	263.6	515.4
Tax expense		**(65.8)**	(62.9)	(99.5)
Analysed as:				
Underlying tax expense		**(66.1)**	(65.0)	(119.1)
Non-underlying tax credit	3	**0.3**	2.1	19.6
Tax expense		**(65.8)**	(62.9)	(99.5)
Profit for the period		**250.2**	200.7	415.9
Attributable to:				
Parent shareholders		**251.6**	202.9	421.6
Non-controlling interest		**(1.4)**	(2.2)	(5.7)
		250.2	200.7	415.9

Earnings per share (Note 5)	**(Reviewed) 6 months to 31 August 2017 pence**	(Reviewed) 6 months to 1 September 2016 pence	(Audited) Year to 2 March 2017 pence
Earnings per share			
Basic	**137.71**	111.42	231.39
Diluted	**137.26**	111.06	230.89
Underlying earnings per share			
Basic	**143.74**	133.88	246.48
Diluted	**143.26**	133.44	245.95

Interim consolidated statement of comprehensive income

	Notes	**(Reviewed) 6 months to 31 August 2017 £m**	(Reviewed) 6 months to 1 September 2016 £m	(Audited) Year to 2 March 2017 £m
Profit for the period		**250.2**	200.7	415.9
Items that will not be reclassified to the income statement:				
Re-measurement gain / (loss) on defined benefit pension scheme	9	**9.2**	(152.5)	(214.8)
Current tax on pensions		**8.9**	8.6	15.6
Deferred tax on pensions		**(9.7)**	20.4	26.7
Deferred tax: change in rate of corporation tax on pensions		**(0.9)**	-	(3.1)
		7.5	(123.5)	(175.6)
Items that may be reclassified subsequently to the income statement:				
Net gain / (loss) on cash flow hedges		**2.2**	(1.5)	(0.2)
Current tax on cash flow hedges		**(0.2)**	0.5	0.5
Deferred tax on cash flow hedges		**(0.2)**	(0.2)	(0.6)
Deferred tax: change in rate of corporation tax on cash flow hedges		**-**	-	(0.1)
		1.8	(1.2)	(0.4)
Exchange differences on translation of foreign operations		**8.4**	13.8	22.9
Other comprehensive income / (loss) for the period, net of tax		**17.7**	(110.9)	(153.1)
Total comprehensive income for the period, net of tax		**267.9**	89.8	262.8
Attributable to:				
Parent shareholders		**269.3**	91.9	268.4
Non-controlling interest		**(1.4)**	(2.1)	(5.6)
		267.9	89.8	262.8

Interim consolidated statement of changes in equity

6 months to 31 August 2017 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 2 March 2017	150.2	68.0	12.3	4,330.9	28.4	(2,061.5)	**2,528.3**	(3.5)	**2,524.8**
Profit for the period	-	-	-	251.6	-	-	**251.6**	(1.4)	**250.2**
Other comprehensive income	-	-	-	7.1	8.4	2.2	**17.7**	-	**17.7**
Total comprehensive income	**-**	**-**	**-**	**258.7**	**8.4**	**2.2**	**269.3**	**(1.4)**	**267.9**
Ordinary shares issued	-	1.4	-	-	-	-	**1.4**	-	**1.4**
Loss on ESOT shares issued	-	-	-	(1.7)	-	1.7	**-**	-	**-**
Accrued share-based payments	-	-	-	7.9	-	-	**7.9**	-	**7.9**
Equity dividends	-	-	-	(120.3)	-	-	**(120.3)**	-	**(120.3)**
At 31 August 2017	**150.2**	**69.4**	**12.3**	**4,475.5**	**36.8**	**(2,057.6)**	**2,686.6**	**(4.9)**	**2,681.7**

6 months to 1 September 2016 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 3 March 2016	150.0	62.6	12.3	4,239.8	5.6	(2,067.7)	2,402.6	2.1	2,404.7
Profit for the period	-	-	-	202.9	-	-	202.9	(2.2)	200.7
Other comprehensive loss	-	-	-	(123.2)	13.7	(1.5)	(111.0)	0.1	(110.9)
Total comprehensive income	-	-	-	79.7	13.7	(1.5)	91.9	(2.1)	89.8
Ordinary shares issued	0.1	1.6	-	-	-	-	1.7	-	1.7
Loss on ESOT shares issued	-	-	-	(5.6)	-	5.6	-	-	-
Accrued share-based payments	-	-	-	8.2	-	-	8.2	-	8.2
Equity dividends	-	-	-	(112.6)	-	-	(112.6)	-	(112.6)
At 1 September 2016	150.1	64.2	12.3	4,209.5	19.3	(2,063.6)	2,391.8	-	2,391.8

Year to 2 March 2017 (Audited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m	Non-controlling interest £m	Total equity £m
At 3 March 2016	150.0	62.6	12.3	4,239.8	5.6	(2,067.7)	2,402.6	2.1	2,404.7
Profit for the year	-	-	-	421.6	-	-	421.6	(5.7)	415.9
Other comprehensive loss	-	-	-	(175.8)	22.8	(0.2)	(153.2)	0.1	(153.1)
Total comprehensive income	-	-	-	245.8	22.8	(0.2)	268.4	(5.6)	262.8
Ordinary shares issued	0.2	5.4	-	-	-	-	5.6	-	5.6
Loss on ESOT shares issued	-	-	-	(6.4)	-	6.4	-	-	-
Accrued share-based payments	-	-	-	17.7	-	-	17.7	-	17.7
Tax on share-based payments	-	-	-	0.4	-	-	0.4	-	0.4
Tax rate change on historical revaluation	-	-	-	0.7	-	-	0.7	-	0.7
Equity dividends	-	-	-	(167.1)	-	-	(167.1)	-	(167.1)
At 2 March 2017	150.2	68.0	12.3	4,330.9	28.4	(2,061.5)	2,528.3	(3.5)	2,524.8

Interim consolidated balance sheet

	Notes	**(Reviewed) 31 August 2017 £m**	(Reviewed) 1 September 2016 £m	(Audited) 2 March 2017 £m
ASSETS				
Non-current assets				
Intangible assets		**282.2**	263.2	275.7
Property, plant and equipment		**4,040.0**	3,970.9	3,972.4
Investment in joint ventures		**51.7**	50.2	53.0
Derivative financial instruments	8	**35.9**	31.6	43.3
Trade and other receivables		**6.4**	8.3	6.8
		4,416.2	4,324.2	4,351.2
Current assets				
Inventories		**52.0**	46.7	48.2
Derivative financial instruments	8	**3.3**	6.8	12.3
Trade and other receivables		**221.0**	147.9	163.6
Cash and cash equivalents	7	**129.7**	73.2	63.0
		406.0	274.6	287.1
Assets held for sale		**5.1**	2.6	50.5
Total assets		**4,827.3**	4,601.4	4,688.8
LIABILITIES				
Current liabilities				
Borrowings	7	**18.3**	132.7	157.4
Provisions		**38.9**	12.9	36.3
Derivative financial instruments	8	**2.6**	1.1	2.3
Current tax liabilities		**53.6**	60.1	45.9
Trade and other payables		**579.3**	529.8	596.9
		692.7	736.6	838.8
Non-current liabilities				
Borrowings	7	**963.8**	928.7	795.6
Provisions		**10.7**	33.1	12.3
Derivative financial instruments	8	**7.4**	12.5	8.3
Deferred tax liabilities		**72.6**	73.4	62.0
Pension liability	9	**374.5**	403.5	425.1
Trade and other payables		**23.9**	21.8	21.9
		1,452.9	1,473.0	1,325.2
Total liabilities		**2,145.6**	2,209.6	2,164.0
Net assets		**2,681.7**	2,391.8	2,524.8
EQUITY				
Share capital		**150.2**	150.1	150.2
Share premium		**69.4**	64.2	68.0
Capital redemption reserve		**12.3**	12.3	12.3
Retained earnings		**4,475.5**	4,209.5	4,330.9
Currency translation reserve		**36.8**	19.3	28.4
Other reserves		**(2,057.6)**	(2,063.6)	(2,061.5)
Equity attributable to equity holders of the parent		**2,686.6**	2,391.8	2,528.3
Non-controlling interest		**(4.9)**	-	(3.5)
Total equity		**2,681.7**	2,391.8	2,524.8

Interim consolidated cash flow statement

	Notes	**(Reviewed) 6 months to 31 August 2017 £m**	(Reviewed) 6 months to 1 September 2016 £m	(Audited) Year to 2 March 2017 £m
Profit for the period		**250.2**	200.7	415.9
Adjustments for:				
Tax expense		**65.8**	62.9	99.5
Net finance cost	4	**20.0**	18.1	37.3
Share of profit from joint ventures		**(0.8)**	(1.0)	(3.2)
Share of profit from associate		**-**	(0.7)	(0.7)
Non-underlying operating costs	3	**6.4**	38.0	39.7
Cash outflow from non-underlying operating costs		**-**	(2.8)	(7.3)
Underlying depreciation and amortisation	2	**112.8**	104.2	217.6
Share-based payments		**7.9**	8.2	17.7
Other non-cash items		**5.9**	5.2	8.6
Cash generated from operations before working capital changes		**468.2**	432.8	825.1
Increase in inventories		**(3.7)**	(1.7)	(3.1)
Increase in trade and other receivables		**(33.3)**	(7.1)	(7.1)
Increase in trade and other payables		**9.9**	7.4	45.2
Cash generated from operations		**441.1**	431.4	860.1
Payments against provisions		**(14.1)**	(12.1)	(22.3)
Pension payments	9	**(48.1)**	(43.7)	(90.3)
Interest paid		**(8.2)**	(9.7)	(34.9)
Interest received		**0.2**	0.2	0.3
Corporation taxes paid		**(49.7)**	(35.9)	(86.8)
Net cash flows from operating activities		**321.2**	330.2	626.1
Cash flows from investing activities				
Purchase of property, plant and equipment	2	**(252.0)**	(312.9)	(571.2)
Investment in intangible assets	2	**(16.8)**	(16.1)	(38.6)
Proceeds from disposal of property, plant and equipment		**41.3**	53.6	192.9
Proceeds from disposal of investment in associate		**-**	-	14.1
Proceeds from disposal of business		**44.9**	-	-
Capital contributions and loans to joint ventures		**-**	(7.6)	(7.7)
Dividends from associate		**-**	0.4	0.4
Net cash flows from investing activities		**(182.6)**	(282.6)	(410.1)
Cash flows from financing activities				
Proceeds from issue of share capital		**1.4**	1.7	5.6
(Reduction) / increase in short-term borrowings	7	**(109.6)**	4.5	17.6
Proceeds from long-term borrowings	7	**200.0**	-	-
(Repayments of) / increases in long-term borrowings	7	**(43.5)**	73.9	(67.4)
Renegotiation costs of long-term borrowings	7	**(0.8)**	(0.6)	(0.6)
Dividends paid	6	**(120.3)**	(112.6)	(167.1)
Net cash flows from financing activities		**(72.8)**	(33.1)	(211.9)
Net increase in cash and cash equivalents		**65.8**	14.5	4.1
Opening cash and cash equivalents		**63.0**	57.1	57.1
Foreign exchange differences		**0.9**	1.6	1.8
Closing cash and cash equivalents	7	**129.7**	73.2	63.0

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 23 October 2017.

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 2 March 2017 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 (IFRSs) 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 31 August 2017 and the comparatives to 1 September 2016 are unaudited but have been reviewed by the auditor; a copy of their review report is included at the end of this report.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 2 March 2017.

2. Segmental analysis

For management purposes, the Group is organised into two strategic business units (Premier Inn and Costa) based upon their different products and services:

- Premier Inn provide services in relation to accommodation and food; and
- Costa generates income from the operation of its branded, owned and franchised coffee outlets.

The UK and International Premier Inn segments have been aggregated on the grounds that the International segment is immaterial.

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit. Included within the unallocated and elimination columns in the tables below are the costs of running the public company. The unallocated assets and liabilities are cash and debt balances (held and controlled by the central treasury function), taxation, pensions, certain property, plant and equipment, centrally held provisions and central working capital balances.

Inter-segment revenue is from Costa to the Premier Inn segment and is eliminated on consolidation. Transactions were entered into on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the six months to 31 August 2017 and 1 September 2016 and for the full year ended 2 March 2017.

6 months to 31 August 2017	Premier Inn £m	Costa £m	Unallocated and elimination £m	Total Operations £m
Revenue				
Revenue from external customers	1,051.7	619.7	-	1,671.4
Inter-segment revenue	-	2.0	(2.0)	-
Total revenue	1,051.7	621.7	(2.0)	1,671.4
Underlying operating profit	295.6	64.8	(18.0)	342.4
Underlying net finance cost (Note 4)	-	-	(14.8)	(14.8)
Underlying profit before tax	295.6	64.8	(32.8)	327.6
Non-underlying items (Note 3):				
Disposal of property, plant and equipment and property provisions	(7.4)	(0.6)	-	(8.0)
PI International business exit	6.7	-	-	6.7
Historic indirect tax disputes	-	(4.0)	-	(4.0)
Amortisation of acquired intangibles	-	(1.1)	-	(1.1)
IAS 19 pension finance cost	-	-	(5.2)	(5.2)
Total non-underlying items	(0.7)	(5.7)	(5.2)	(11.6)
Profit before tax	294.9	59.1	(38.0)	316.0
Tax expense				(65.8)
Profit for the period				250.2
Assets and liabilities				
Segment assets	4,082.5	543.5	-	4,626.0
Unallocated assets	-	-	201.3	201.3
Total assets	4,082.5	543.5	201.3	4,827.3
Segment liabilities	(403.7)	(147.0)	-	(550.7)
Unallocated liabilities	-	-	(1,594.9)	(1,594.9)
Total liabilities	(403.7)	(147.0)	(1,594.9)	(2,145.6)
Net assets	3,678.8	396.5	(1,393.6)	2,681.7
Other segment information				
Share of profit from joint ventures	0.5	0.3	-	0.8
Investment in joint ventures	39.5	12.2	-	51.7
Total property rent	73.8	61.9	-	135.7
Capital expenditure:				
Property, plant and equipment – cash basis	199.5	52.5	-	252.0
Property, plant and equipment – accruals basis	160.7	46.7	-	207.4
Intangible assets	14.4	2.4	-	16.8
Depreciation – underlying	(66.4)	(37.1)	-	(103.5)
Amortisation – underlying	(7.6)	(1.7)	-	(9.3)

6 months to 1 September 2016	Premier Inn £m	Costa £m	Unallocated and elimination £m	Total Operations £m
Revenue				
Revenue from external customers	988.1	567.8	-	1,555.9
Inter-segment revenue	-	1.9	(1.9)	-
Total revenue	988.1	569.7	(1.9)	1,555.9
Underlying operating profit	271.5	64.6	(16.4)	319.7
Underlying net finance cost (Note 4)	-	-	(12.7)	(12.7)
Underlying profit before tax	271.5	64.6	(29.1)	307.0
Non-underlying items (Note 3):				
Disposal of property, plant and equipment and property provisions	6.3	(1.7)	(0.7)	3.9
PI International business exit	(35.0)	-	-	(35.0)
UK restructuring	(9.6)	(1.1)	-	(10.7)
Historic indirect tax disputes	-	5.0	-	5.0
Amortisation of acquired intangibles	-	(1.2)	-	(1.2)
IAS 19 pension finance cost	-	-	(5.0)	(5.0)
Unwinding of discount on provisions	-	(0.1)	(0.3)	(0.4)
Total non-underlying items	(38.3)	0.9	(6.0)	(43.4)
Profit before tax	233.2	65.5	(35.1)	263.6
Tax expense				(62.9)
Profit for the period				200.7
Assets and liabilities				
Segment assets	3,963.5	495.3	-	4,458.8
Unallocated assets	-	-	142.6	142.6
Total assets	3,963.5	495.3	142.6	4,601.4
Segment liabilities	(367.9)	(134.2)	-	(502.1)
Unallocated liabilities	-	-	(1,707.5)	(1,707.5)
Total liabilities	(367.9)	(134.2)	(1,707.5)	(2,209.6)
Net assets	3,595.6	361.1	(1,564.9)	2,391.8
Other segment information				
Share of profit from joint ventures	0.7	0.3	-	1.0
Share of profit from associate	0.7	-	-	0.7
Investment in joint ventures	39.0	11.2	-	50.2
Total property rent	68.7	58.2	-	126.9
Capital expenditure:				
Property, plant and equipment – cash basis	257.6	55.3	-	312.9
Property, plant and equipment – accruals basis	227.5	57.4	-	284.9
Intangible assets	11.1	5.0	-	16.1
Depreciation – underlying	(62.9)	(34.2)	-	(97.1)
Amortisation – underlying	(6.2)	(0.9)	-	(7.1)

Year to 2 March 2017	Premier Inn £m	Costa £m	Unallocated and elimination £m	Total operations £m
Revenue				
Revenue from external customers	1,907.9	1,198.1	-	3,106.0
Inter-segment revenue	-	3.6	(3.6)	-
Total revenue	1,907.9	1,201.7	(3.6)	3,106.0
Underlying operating profit	468.0	158.0	(33.6)	592.4
Underlying net finance cost (Note 4)	-	-	(27.2)	(27.2)
Underlying profit before tax	468.0	158.0	(60.8)	565.2
Non-underlying items (Note 3):				
Disposal of property, plant and equipment and property provisions	23.1	(10.5)	(0.8)	11.8
PI International business exit	(30.0)	-	-	(30.0)
Costa international restructuring	-	(14.5)	-	(14.5)
UK restructuring	(15.6)	(5.9)	(0.1)	(21.6)
Historic indirect tax disputes	-	5.3	-	5.3
Net gain on disposal of investment in associate	11.8	-	-	11.8
Amortisation of acquired intangibles	-	(2.5)	-	(2.5)
IAS 19 pension finance cost	-	-	(9.4)	(9.4)
Unwinding of discount on provisions	-	(0.2)	(0.5)	(0.7)
Total non-underlying items	(10.7)	(28.3)	(10.8)	(49.8)
Profit before tax	457.3	129.7	(71.6)	515.4
Tax expense				(99.5)
Profit for the year				415.9
Assets and liabilities				
Segment assets	4,020.2	511.4	-	4,531.6
Unallocated assets	-	-	157.2	157.2
Total assets	4,020.2	511.4	157.2	4,688.8
Segment liabilities	(427.8)	(163.3)	-	(591.1)
Unallocated liabilities	-	-	(1,572.9)	(1,572.9)
Total liabilities	(427.8)	(163.3)	(1,572.9)	(2,164.0)
Net assets	3,592.4	348.1	(1,415.7)	2,524.8
Other segment information				
Share of profit from joint ventures	2.5	0.7	-	3.2
Share of profit from associate	0.7	-	-	0.7
Investment in joint ventures	41.0	12.0	-	53.0
Total property rent	139.8	121.4	-	261.2
Capital expenditure:				
Property, plant and equipment – cash basis	459.7	111.5	-	571.2
Property, plant and equipment – accruals basis	455.7	121.5	-	577.2
Intangible assets	25.8	12.8	-	38.6
Depreciation – underlying	(131.0)	(71.5)	-	(202.5)
Amortisation – underlying	(13.3)	(1.8)	-	(15.1)

3. Non-underlying adjustments

	6 months to 31 August 2017 £m	6 months to 1 September 2016 £m	Year to 3 March 2017 £m
Non-underlying items are as follows:			
Operating costs:			
Disposal of property, plant and equipment and property provisions (a)	**(8.0)**	3.9	11.8
PI International business exit (b)	**6.7**	(35.0)	(30.0)
Costa international restructuring	**-**	-	(14.5)
UK restructuring	**-**	(10.7)	(21.6)
Historic indirect tax disputes	**(4.0)**	5.0	5.3
Net gain on disposal of investment in associate	**-**	-	11.8
Amortisation of acquired intangibles	**(1.1)**	(1.2)	(2.5)
Non-underlying operating costs	**(6.4)**	(38.0)	(39.7)
Net finance cost:			
IAS 19 pension finance cost	**(5.2)**	(5.0)	(9.4)
Unwinding of discount on provisions	**-**	(0.4)	(0.7)
Non-underlying net finance cost	**(5.2)**	(5.4)	(10.1)
Non-underlying items before tax	**(11.6)**	(43.4)	(49.8)
Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax:			
Tax on non-underlying items	**0.3**	1.0	12.3
Non-underlying tax items – tax base cost	**-**	1.1	2.1
Deferred tax relating to UK tax rate change	**-**	-	5.2
Non-underlying tax credit	**0.3**	2.1	19.6

(a) During the period, the Group made a net gain of £18.5m from disposal and development profit on sale and leaseback transactions, disposal of sites previously held for sale and other minor disposals, offset by impairment losses on hotel sites transferred to assets held for sale of £11.3m, and provision for other one-off property costs of £15.2m.
(b) On 13 July 2016, the Group announced its intention to exit hotel operations in South East Asia. In the prior year the Group recognised impairment losses of £14.9m and a provision of £15.1m for costs of exiting management agreements and closure of regional offices. During the current period the Group disposed of its businesses in Thailand, India and Indonesia, achieving net sales proceeds in excess of those assumed in the initial impairment calculation resulting in a net credit of £6.7m in the period.

4. Finance (costs) / revenue

	6 months to 31 August 2017 £m	6 months to 1 September 2016 £m	Year to 2 March 2017 £m
Finance cost			
Bank loans and overdrafts	**(1.9)**	(2.8)	(5.3)
Other loans	**(15.8)**	(15.5)	(31.0)
Interest capitalised	**2.9**	5.5	8.9
Impact of ineffective portion of cash flow and fair value hedges	**(0.2)**	(0.1)	(0.1)
	(15.0)	(12.9)	(27.5)
Finance revenue			
Bank interest receivable	**0.1**	0.1	0.1
Other interest receivable	**0.1**	0.1	0.2
	0.2	0.2	0.3
Underlying net finance cost	**(14.8)**	(12.7)	(27.2)
Non-underlying net finance cost			
IAS 19 pension finance cost (Note 9)	**(5.2)**	(5.0)	(9.4)
Unwinding of discount on provisions	**-**	(0.4)	(0.7)
	(5.2)	(5.4)	(10.1)
Total net finance cost	**(20.0)**	(18.1)	(37.3)
Total finance cost	**(20.2)**	(18.3)	(37.6)
Total finance revenue	**0.2**	0.2	0.3
Total net finance cost	**(20.0)**	(18.1)	(37.3)

5. Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit for the period attributable to parent shareholders, therefore before non-controlling interests, 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. The number of such options for all disclosed periods was nil.

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

	6 months to 31 August 2017 million	6 months to 1 September 2016 million	Year to 2 March 2017 million
Basic weighted average number of ordinary shares	**182.7**	182.1	182.2
Effect of dilution – share options	**0.6**	0.6	0.4
Diluted weighted average number of ordinary shares	**183.3**	182.7	182.6

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

	6 months to 31 August 2017 £m	6 months to 1 September 2016 £m	Year to 2 March 2017 £m
Profit for the period attributable to parent shareholders	**251.6**	202.9	421.6
Non-underlying items– gross	**11.6**	43.4	49.8
Non-underlying items – taxation	**(0.3)**	(2.1)	(19.6)
Non-underlying items – non-controlling interest	**(0.3)**	(0.4)	(2.7)
Underlying profit for the period attributable to parent shareholders	**262.6**	243.8	449.1

	6 months to 31 August 2017 pence	6 months to 1 September 2016 pence	Year to 2 March 2017 pence
Basic on profit for the period	**137.71**	111.42	231.39
Non-underlying items – gross	**6.35**	23.83	27.33
Non-underlying items – taxation	**(0.16)**	(1.15)	(10.76)
Non underlying items – non-controlling interest	**(0.16)**	(0.22)	(1.48)
Basic on underlying profit for the period	**143.74**	133.88	246.48
Diluted on profit for the period	**137.26**	111.06	230.89
Diluted on underlying profit for the period	**143.26**	133.44	245.95

6. Dividends paid

	6 months to 31 August 2017		6 months to 1 September 2016		Year to 2 March 2017	
	pence per share	£m	pence per share	**£m**	pence per share	**£m**
Equity dividends on ordinary shares:						
Final dividend for prior year	**65.90**	**120.3**	61.85	112.6	61.85	112.6
Interim dividend for the year		**-**		-	29.90	54.5
		120.3		112.6		167.1
Dividends on other shares:						
B share dividend		**-**		-	0.80	-
C share dividend		**-**		-	0.80	-
		-		-		-
Total dividends paid		**120.3**		112.6		167.1

An interim dividend of 31.40p per share (2016: 29.90p) amounting to a dividend of £57.3m (2016: £54.5m) was declared by the directors. A dividend reinvestment plan (DRIP) alternative will be offered. These consolidated financial statements do not reflect this dividend payable.

7. Movements in cash and net debt

	2 March 2017 £m	Cost of borrowings £m	Cash flow £m	Foreign exchange £m	Fair value adjustments to loan capital £m	Amortisation of premiums and discounts £m	**31 August 2017 £m**
Cash at bank and in hand	62.9						**40.5**
Short-term deposits	0.1						**89.2**
Overdrafts	-						**-**
Cash and cash equivalents	63.0	**-**	**65.8**	**0.9**	**-**	**-**	**129.7**
Short-term bank borrowings	(109.6)	**-**	**109.6**	**-**	**-**	**-**	**-**
Loan capital under one year	(47.8)						**(18.3)**
Loan capital over one year	(795.6)						**(963.8)**
Total loan capital	**(843.4)**	**0.8**	**(156.5)**	**14.7**	**3.0**	**(0.7)**	**(982.1)**
Net debt	**(890.0)**	**0.8**	**18.9**	**15.6**	**3.0**	**(0.7)**	**(852.4)**

Net debt includes US$ denominated loan notes of US$285.0m (March 2017: US$325.0m) retranslated at period end to £223.5m (March 2017: £267.8m). These notes have been hedged using cross-currency swaps. At maturity, £181.6m (March 2017: £208.3m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net debt would be £810.5m (March 2017: £830.5m).

8. Financial instruments

The Group entered into a number of cross-currency swap agreements in relation to the US$ denominated loan notes to eliminate any foreign currency exchange risk on interests or on the repayment of principle borrowed.

IFRS 13 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 fair value of derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date:

	31 August 2017 £m	1 September 2016 £m	2 March 2017 £m
Financial assets			
Derivative financial instruments – level 2	**39.2**	38.4	55.6
Financial liabilities			
Derivative financial instruments – level 2	**10.0**	13.6	10.6

There were no transfers between levels during any period disclosed.

9. Pension liability

During the six month period to 31 August 2017, the pension liability has decreased from £425.1m to £374.5m. The main movements in the deficit are as follows:

		£m
Pension liability at 2 March 2017		425.1
Re-measurement due to:		
Changes in financial assumptions	48.2	
Experience adjustments	11.3	
Return on plan assets greater than discount rate	(68.7)	
		(9.2)
Contributions from employer		**(48.1)**
Net interest on pension liability		**5.2**
Administrative expenses		**1.5**
Pension liability at 31 August 2017		**374.5**

The deficit has decreased by £50.6m from 2 March 2017 driven by deficit contributions of £48.1m and actual returns on assets being higher than the discount rate offset by a reduction in the discount rate from 2.60% to 2.40%

10. Related party disclosure

In note 30 to the Annual Report and Accounts for the year ended 2 March 2017, the Group identified its related parties as its key management personnel (including directors), the Group pension schemes, its joint ventures and its associate for the purpose of IAS 24 'Related Party Disclosure'. There have been no significant changes in those related parties identified at the year end and there have been no transactions with those related parties during the six months to 31 August 2017 that have materially effected, or are expected to materially effect, 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 1 March 2018. All transactions with subsidiaries are eliminated on consolidation.

11. Capital expenditure commitments

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

	31 August 2017 £m	1 September 2016 £m	2 March 2017 £m
Property, plant and equipment	208.0	191.2	156.4
Intangible assets	5.5	12.5	8.2

12. Events after the balance sheet date

On 10 October 2017 the Group announced it had acquired the non-controlling interest in Yueda Costa (Shanghai) Food & Beverage Management Company Limited for £35m.

Independent review report to Whitbread PLC

Introduction

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 31 August 2017 which comprise the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated balance sheet, the interim consolidated cash flow statement and the related notes 1 to 12. 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.

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 Auditing Practices Board. 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.

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 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in the accounting policies, 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) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 31 August 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, UK

23 October 2017