20 May 2008

MITCHELLS & BUTLERS PLC

INTERIM RESULTS
(For the 28 weeks ended 12 April 2008)

FINANCIAL HIGHLIGHTS

	HY2008 £m	HY2007 £m	% growth
Revenue	995	995	-
EBITDA*	241	230	4.8
Operating Profit*	168	161	4.3
Profit before tax*	84	89	(5.6)
Adjusted earnings per share **	14.9p	14.8p	0.7
Basic (loss) / earnings per share ***	(21.6)p	17.4p	n/a
Dividends	4.55p	4.25p	7.1

* EBITDA, operating profit and profit before tax are all stated before exceptional items and IAS 39 movements
** Adjusted earnings per share is stated as profit after tax before exceptional items and the IAS 39 movements, divided by the weighted average ordinary shares in issue
*** Exceptional items after tax were £(135)m, HY2007 £11m; IAS 39 movements after tax were £(12m), HY 2007 £nil

BUSINESS HIGHLIGHTS

- Resilient sales growth with same outlet like-for-like sales up 0.8% for 32 weeks to 10 May 2008
- Significant market share gains with same outlet food sales up 5.1%, drinks decline limited to 1.5%
- Productivity and cost efficiency gains drive operating profits up 4.3%
- Net retail operating margin up by 0.7 percentage points to 16.8% despite £6m of additional regulatory costs
- Strong cash flow from operations and disposals; net debt to EBITDA ratio of 5.8x
- Interim dividend up 7.1% to 4.55 pence per share
- Same outlet like-for-like sales in first four weeks of second half up 3.4%*

* Weeks 29 to 32

STRATEGIC REVIEW HIGHLIGHTS

Comprehensive review of all aspects of the business and options for creating value for shareholders. These included:

- testing the strength and sustainability of the business model;
- reviewing the opportunity for accelerating the operational out-performance;
- assessing the options for capturing the full value of the property estate;

- investigating the prospects for managed pub sector consolidation; and
- exploring the merits of a strategic investment by private equity.

Based on the review the Board has concluded that the business model is robust and well positioned to lead the eating out market growth and that the current performance of sales, operating profits and cash flow is strong. It has also agreed on the following actions to:

- accelerate the execution of operational strategy for market out-performance;
- implement a REIT structure to more fully capture the value of the property estate when market conditions are suitable;
- provide in future the financial reporting on a proforma OpCo / PropCo structure;
- continue to realise "Gold Brick" disposal proceeds;
- actively explore opportunities for managed pub sector consolidation;
- maintain dialogue with private equity on the funding of potential acquisitions;
- seek to create additional value from non-core assets;
- strengthen the Board's property skills by the appointment of two Non-Executive Directors from R20;
- form a property sub-committee of the Board; and
- maintain the appropriate balance of Independent Non-Executive Directors on the Board pursuant to the requirements of the Combined Code.

As previously announced, following Roger Carr's intention to retire as Chairman, Drummond Hall, currently Deputy Chairman, will become Chairman on 20 June.

Commenting on the results, Tim Clarke, Chief Executive said:

"The comprehensive strategic review has explored all options for creating value. The conclusions reaffirm our commitment to capturing the value of the property for shareholders. We will also focus on accelerating our trading out-performance and pursuing consolidation in managed pubs."

"Strong food sales growth, sizable drinks market share gains and further productivity improvements have delivered these resilient trading results. The second half has started well."

Dividends

In line with our commitment to a progressive policy for dividends, an interim dividend of 4.55p, an increase of 7.1%, will be paid on 27 June 2008 to shareholders on the register on 30 May 2008.

Trading Performance

Against the background of challenging economic conditions, Mitchells & Butlers has performed well with same outlet food sales up 5.1% and significant gains in drinks market share. Revenue in the 32 weeks to 10 May has been resilient with same outlet like-for-like sales up 0.8%. This sales growth has been generated against the background of the first winter period of the smoking ban in England and Wales and a continuing volume decline in the on-trade beer market of approximately 9%, as well as weakening consumer confidence. These results have also been impacted by the very poor weather over this Easter compared with the similar period last year which we estimate has reduced same outlet like-for-like sales by 0.4 percentage points.

In the Residential estate same outlet like-for-like sales were up 0.8% in the 32 weeks. Our Pub Restaurant brands performed particularly well with accelerating same outlet like-for-like sales up 3.3% in the second quarter, and a 2.0% growth for the period as a whole. Vintage Inns has had a sustained improvement as a result of our margin reinvestment programme since the new menus were launched last autumn. Our carvery offers, Toby Carvery and Pub & Carvery, continue to see excellent growth. In our Residential Pubs, we have taken advantage of the opportunities to attract new customers to our pubs in the post smoking ban environment, increasing food sales by 15%. This, coupled with our drinks market share gains, has enabled us to hold Residential Pubs same outlet like-for-like declines to 0.6% against the severe on-trade beer market pressures.

The performance of our High Street estate, which accounts for 24% of sales, reflects the differing trends within the three market segments in which we operate. Our Central London pubs and restaurants showed strong growth; our High Street pubs in the rest of the UK performed well driven by strong food sales growth while there was significant pressure on our circuit venues. Overall, same outlet like-for-like sales for our High Street businesses were up 0.3% in the 32 weeks.

Trading in our Scottish estate in the second year of the smoking ban continues to be very encouraging with same outlet like-for-like sales up 3.4% in the 32 weeks with food particularly strong, up 7.2% and a positive drinks performance, up 2.0%. These results reinforce our belief that the overall impact of the ban will be beneficial over time to larger, well invested pubs with an attractive food offer.

This good trading performance has generated strong operational cash inflows. We are also managing the asset base to take advantage of the strength in the property market for our quality of assets with disposals of £54m in the first half on EBITDA multiples of approximately 18 times. This positive performance has continued into the second half with £20m of disposals completed, or with contracts unconditionally exchanged, including the sale of a development property within SCPD realising proceeds of £11m and a profit of £9m. At the end of the first half, net debt had reduced by around £100m since the closure of the swaps in January and the ratio of net debt to EBITDA was 5.8 times, only a marginal increase from the level a year ago of 5.6 times.

Progress on the Acquired Sites

The Acquired Sites conversion programme has been completed with 204 sites converted or on site to convert to our brands and formats. 24 of the other sites have been identified for disposal (of which 19 have been completed to date) with the remainder transferred to franchise. Average weekly sales uplifts on the converted sites are running at approximately 19% above the levels at which the pubs were acquired and we are starting to see a good build up of post conversion profits. Productivity levels have been strongly enhanced, with the employment cost ratio falling from 32% to 27%. We remain confident of delivering our year three target of 30% sales uplifts by the end of the 2009 financial year.

Current Trading

Recent trading in the first four weeks of the second half of the financial year (weeks 29-32) has started well with same outlet like-for-like sales up 3.4%. This short period has encompassed both some poor and strong weather comparatives and it would be premature to draw any conclusions for general market trends. We have seen a good customer response to the launch of our new summer menus, while our drinks market share gains have further accelerated partly as a result of restrained price increases following the Budget duty uplifts.

Strategic Review

The Board has carried out a comprehensive strategic review to consider all options for creating value for shareholders.

In the past three months, all aspects of the business have been reviewed to test the strength and sustainability of the operating model; the options for more fully capturing the value of the property estate; the prospects for managed pub sector consolidation and the opportunities for improved business focus and accelerated operational out-performance. In the process we also explored the merits of detailed proposals from a number of private equity firms to take a strategic investment in the company to assist in the acceleration of our expansion plans. The process has been exhaustive in pursuit of value creation, with no opportunity ignored.

The conclusions have the full support of all our advisers, Citigroup and JP Morgan Cazenove, as well as Greenhill, who were appointed as an independent advisor to the strategic review process.

Strategic Review Conclusions

The Board's conclusions are as follows:

The business model is robust, sustainable and competitively powerful. Current performance is strong in sales, operating profits and cash flow. This reflects the quality of the company's estate, its eating out market leadership, the strength of its brands and formats, its operating capabilities and scale efficiencies. When combined with the future potential for unlocking more fully the value of the property estate, these strengths underpin the prospects for long term growth and shareholder value creation.

As a result, the Board is clear that our future strategy should focus on the following key elements of value creation for the benefit of shareholders:

- implementation of an operational strategy for accelerated out-performance through extending our eating out market leadership and drinks market share gains;
- pursue the implementation of a REIT or other appropriate OpCo/PropCo structure when financial market conditions permit and subject to regulatory

clearances. We remain committed to ensuring that the value of both the property and the operating business are more fully captured for shareholders;
- actively explore opportunities for managed pub sector consolidation in line with our strategy of creating value by raising Acquired Sites' average sales and profits to the levels generated in the MAB estate. We intend to maintain our dialogue with private equity firms, should an attractive acquisition arise, which may require additional funding; and
- explore options to create additional value from the non-core assets including Lodges, Hollywood Bowl and Alex.

As previously announced, following Roger Carr's intention to retire as Chairman, Drummond Hall, currently Deputy Chairman, will become Chairman. This will take effect on 20 June.

In addition, we are pleased to announce that the property skills of the Board will be strengthened by the appointment of Tim Smalley and Aaron Brown, from R20 as Non-Executive Directors on 20 June. This will build upon the relationship established during the joint venture developed in 2007. They will also become members of a property sub-committee of the Board. It is intended that these directors would transfer to the REIT when the separation is effected.

The Board has agreed with R20 that in order to maintain two Non-Executive Directors on the Board, R20 should have an economic interest of more than 25% in Mitchells & Butlers. In the event that R20's interest falls below 25% but is more than 15%, the Board has agreed that R20 would have one Non-Executive Director on the Board.

If a corporate transaction occurred, which involved the issue of equity such that R20's position was automatically diluted, then the Board has agreed that R20's ownership threshold would reduce proportionately, but in no circumstances would the threshold fall below 20% for two Board seats and 10% for one Board seat.

An appropriate balance of independent Non-Executive Directors on the Board will be maintained pursuant to the requirements of the Combined Code.

Strategy for operational out-performance

Our operating strategy and competitive strengths are delivering strong food growth, substantial drinks market share gains and rapid productivity improvements. Our results announced today represent a material trading out-performance against a pub sector facing the most challenging conditions for many years. This robust performance over the first winter of the smoking ban has reinforced our confidence in future prospects, despite the deteriorating outlook for consumer spending.

An independent study carried out by LEK Consulting for the Board, to test the assumptions in our long term business plan, has validated and supported the resilient prospects for growth. Our focus will be on intensifying the value and volume sales strategy to attract new customers to our pubs. We expect this to continue to drive market share gains in a market where the consumer is becoming increasingly sensitive to value. We also continue to expect to benefit from the post-smoking ban environment which has widened the consumer appeal of food-led pubs.

We will also look to grow the distribution of our market leading pub food formats through both conversion of existing sites and new build acquisitions. We expect the current slow down in the property market to generate more new site opportunities.

Our widening operational out-performance is set to provide strong opportunities for increased market share gains through the current challenging trading conditions.

Strategy for capturing full value of property estate

The Board believes that a REIT or other appropriate OpCo/PropCo structure would more fully capture the value of the company's high quality property estate for shareholders than the current integrated model. We believe a dedicated property company with stable and growing rental streams and a strong dividend payout would enable greater transparency in the valuation of the estate. The tax advantages of a REIT would also be a source of significant value. Furthermore, with an appropriate starting level of rents and a long term lease structure, we also believe the strength of the brands and formats, the quality of the sites and the operating capabilities of the company would ensure a robust operating company business model, with attractive equity growth prospects.

Conditions in the financial markets currently preclude the implementation of such a structure for the group, largely related to the costs and lack of funding availability for the necessary debt restructuring requirements. Regulatory clearances would also be required. However, the Board will continue to actively monitor and pursue future opportunities for implementing such a structure to capture value for shareholders. In the meantime, in the interests of providing full and transparent information to investors, we will report more explicitly the results of the component parts of the operating and property elements within the integrated business.

We will also continue to proactively demonstrate the inherent value of the estate through individual site and smaller package transactions on "gold brick" properties. These will be pursued where high values can be realised on EBITDA multiples significantly above the current multiple on which the company is valued. For instance, in the first half £54m was raised from property sales on an EBITDA multiple of 18 times.

Despite the considerable uncertainties over the property market, we still continue to experience resilient conditions for individual, high quality assets. As a result, subject to those conditions being maintained, we anticipate that property disposal proceeds in the second half will continue to be achieved at a similar run rate.

Managed pub consolidation

We believe significant value can be created through the consolidation of the managed pubs sector by raising the sales and profitability of other estates to the substantially higher levels that are generated in the Mitchells & Butlers' estate. This would be delivered through conversions to our brands and formats, applying our value and volume sales strategy, enhancing service and productivity levels, and reducing purchasing and overhead costs. The company has a strong track record of adding value through this route over the past decade, with the acquisitions of the Harvester, ex-Allied and ex-Whitbread sites. In the case of the ex-Allied sites, average weekly sales have been raised by c.80% since 2000 and in the 18 months since the acquisition of the ex-Whitbread sites, average weekly sales have already been raised by 19% and we are confident of achieving our 30% uplift targets by the end of the 2008/09 year. Should further such managed pub acquisition opportunities arise, we would seek to pursue them on value creative terms.

Non-core assets

There are a number of non-core assets, outside our core UK pub and restaurant operations. It is our intention to pursue opportunities for value creation above the level that could be created through organic development, whether through asset swaps, disposals or sector consolidation. Assets that we are reviewing the options to create value for include the Lodge business, Hollywood Bowl and the Alex bar and brasserie sites in Germany.

Business Outlook

The quality of the estate, the consumer appeal of the brands and formats and the value and volume sales strategy are generating accelerated market share gains in both food and drinks. The demand for value for money, casual dining remains resilient, which is also underpinning the sales of drinks, such as wines, soft drinks and coffee served with a food related visit. However the traditional on-trade beer market remains in long term structural decline, due to off-trade price competition, social change and the smoking ban. This is likely to remain the case, whatever short term easing of the rate of decline, this summer's weather comparatives and the anniversary of the ban may bring.

Continuous improvements in training and scheduling are raising staff productivity which, alongside further cost efficiency gains, will ensure a reduction in both fixed and variable operating costs of £20m this year. These gains will help mitigate the significant input cost inflation of £11m from food and energy cost increases and £4m from the Budget duty increases during the second half, although it will be a challenge to sustain net retail operating margins for the year as a whole.

We expect discretionary consumer spending to continue to be under significant pressure over the balance of the year. However, we believe our estate and brands are very well positioned to take advantage of the wider consumer appeal of food-led pubs in a post smoking ban environment. Our focus on high amenity standards and good value is also increasing the pace of our drinks market share gains. As a result, we remain confident in a continued, resilient trading out-performance amidst challenging economic conditions.

Conclusion

Having completed the comprehensive strategic review, the Board believes that the company's competitive position and its brand and operational strengths in the pub and restaurant sector, alongside the future opportunities for capturing the property value of the estate and consolidation in managed houses, underpin the prospects for long term growth and shareholder value creation.

The review has been an intensive process, but it has reaffirmed the Board's confidence in Mitchells & Butlers' business model. The current trading performance underpins our confidence in the strategy and our ability to execute it to the benefit of all shareholders.

There will be a presentation for analysts and investors at 9.30am at the Merrill Lynch Financial Centre, 2 King Edward St, London EC1. A live webcast of the presentation will be available at www.mbplc.com. The conference will also be accessible by phone by dialling in 0845 245 5000 or from outside the UK +44(0) 1452 562 716, the replay will be available until 4 June 2008 on 0845 245 5205 or from outside the UK +44 (0) 1452 55 00 00 passcode 47625670#.

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Notes for editors:

- Mitchells & Butlers owns and operates around 2,000 high quality pubs in prime locations nationwide. The Group's predominantly freehold, managed estate is biased towards large pubs in residential locations. With around 3% of the pubs in the UK, Mitchells & Butlers has 10% of industry sales and average weekly sales per pub over three times greater than that of the average UK pub.
- Mitchells & Butlers' leading portfolio of brands and formats includes Ember Inns, Harvester, Sizzling Pub Co., Toby Carvery, Vintage Inns, All Bar One, O'Neill's, Nicholson's and Browns. In addition, Mitchells & Butlers operates a large number of individual city centre and residential pubs.
- Same outlet like-for-like sales include the sales performance for the comparable period in the prior year of all managed pubs that were trading for the two periods being compared. For the 32 weeks to 10 May 2008 92% of the estate is included in this measure.
- The "Acquired Sites" are the pub restaurant sites purchased from Whitbread plc in July 2006

MITCHELLS & BUTLERS STRATEGY FOR GROWTH

The results in the period reflect our leadership position in the growing eating out market; further significant drinks market share gains and the strength of our operational cash flows. They have been achieved amidst challenging trading conditions for beer sales but increased eating out demand post the smoking ban. Despite these pressures and further increases in external costs, operating profits grew by 4.3% to £168m and net retail operating margins improved by 0.7 percentage points to 16.8%. As a result of this performance we are pleased to announce an interim dividend of 4.55p, an increase of 7.1%. We have generated this performance through the successful implementation of our sales strategy, which is to:

Lead the value for money casual dining market

Our operational expertise and consumer insight have enabled us to capitalise on the growth in informal, value for money eating out with food now accounting for 38% of managed sales, up from only 10% in 1993. We are therefore now the largest on-trade caterer selling over 110m meals on an annualised basis. This position has accelerated with the rapid conversion of the sites we acquired from Whitbread in July 2006 and has enabled us to increase same outlet like-for-like food volumes by 7% against a pub food market up 3%. The smoking ban in the UK has widened the appeal of the pub, especially to customers who previously did not eat out in pubs due to tobacco smoke. This has created an opportunity for our pubs where the quality and value of our food offers together with our high standards of amenity have enabled us to gain a disproportionate share of this growth. We will continue to reinvest in our menu offers through competitive pricing and enhanced quality to generate profitable food growth and to respond to customers' high sensitivity to perceptions of value. For example during the first half of the financial year the average price of a main meal was approximately £5.70 and our food retail prices fell 3.3%.

Generate significant drinks market share gains

Our same outlet like-for-like drinks sales were held to a decline of 1.5% in the period, a very strong performance given the pressure on on-trade volumes as a result of the smoking ban. Our sales volumes once again strongly out-performed the market across the key categories of beer, cider, wines and soft drinks.

Beer now constitutes around a quarter of our total sales, having accounted for over 70% fifteen years ago. The significant pressure on this category as a result of social and lifestyle changes over the last decade has been accelerated by the smoking ban resulting in a decline in on-trade beer market volumes of 9% in the first half. Against this, our pubs have gained five percentage points of market share, representing our strongest out-performance to date and reflecting the value and quality that our pubs offer.

Our focus in beer has been on widening the product range that we offer, improving the serve quality through intensive cellar training and investment in cooling systems, as well as delivering better presentation through attractive glassware. In the first half we focused on increasing the number and quality of the cask ales that we serve. In Vintage Inns, for example, the number of pubs with two or more hand-pulls has increased from just under 100 at this time last year to 180 now, which constitutes over 90% of the Vintage Inn estate. This emphasis has been accompanied by further investment in cellar training; with over 500 outlets now having passed the Cask Marque Accreditation, 98 of which are new cask stockists during this financial year. In draught cider we have concentrated on providing further choice, with all of our pubs now stocking at least one draught cider and 780 pouring more than one. The range has been increased to drive interest and premiumisation into the category with products such as Addlestones and Aspalls being installed in addition to a standard cider. Value also plays a key part in our out-performance with the average price of a pint of standard lager in a Mitchells & Butlers pub at £2.23 in April, approximately 40 pence per pint less than the average in leased pubs. This was despite our average retail drinks prices rising by 3% as a result of like-for-like price increases as well as the introduction of new, premium products.

The growth in food sales is resulting in strong associated uplifts in wine and coffee particularly following the smoking ban. We have been extending our ranges with new premium products, offering good value, own label products and enhancing the serve quality. Coffee volumes therefore grew by 8% respectively in the period.

In soft drinks we have been extending the range of fresh juices, and cordials in our pub restaurants. We are also beginning the roll out of new dispense equipment for our carbonates which is industry leading in ensuring their consistency of the taste, carbonation and temperature. The roll out of this innovative technology began in April and we will have completed 800 installations by the year end.

Develop and evolve an industry-leading portfolio of formats to drive sales growth

We remain focused on developing and evolving our brands and formats to keep pace with fast changing consumer expectations ensuring that we attract new customers and generate higher levels of visits. We have developed an industry leading portfolio of brands and formats targeted at the growth segments of the market with average weekly sales per pub at well over three times the industry average.

We have further expanded our value food formats, Sizzling Pub Co., Pub Carvery and our new Community locals format Cornerstone during the period. These each offer outstanding food value, with main meals priced between £3.50 and £4.50, in an attractive, high amenity pub environment. These pubs are well positioned in residential areas to take advantage of the strong growth in mass market eating out. Pub & Carvery is now our highest volume pub restaurant brand, and Sizzling Pub Co.'s near 1,000 meals a week is a measure of the food revolution occurring in our Local Pubs. We have also continued the successful evolution of our long established High Street formats of O'Neill's and Town Pubs, with strong like-for-like sales growth generated. Similarly our Metro Professional and Nicholson's format have sustained their growth rates in the first half with double digit food sales growth.

Deliver a profitable, integrated food and drinks offer

Many of our pubs have prime locations in residential areas and are able to create an informal casual dining experience alongside a strong bar trade. In this way our formats are able to take advantage of higher margin drink sales together with lower margin food sales delivered at a small incremental cost with an attractive drop through to profit.

Extract volume driven efficiencies

The smoking ban has accelerated the shift in the sales mix to food which has had an adverse effect on gross margins. In addition, rising food inflation continues to put upward pressure on costs of goods sold. In light of this, we have defended gross margins very effectively through our volume driven sales strategy and efficiencies in purchasing terms with only a 0.9 percentage point decrease.

To offset the impact of these pressures, strong management action has been implemented successfully in the first half to reduce both fixed and variable operating costs by £20m for the year as a whole. This half year we have seen a further strong rate of increase in staff productivity, with a 4.2% increase in staff contribution per hour. In the second quarter this has accelerated to 7%. This reflects the impact of our training programmes, our focus on the optimum deployment of staff and ever more refined techniques for forecasting and scheduling. These, along with the actions taken on fixed and variable costs in January, have enabled us to realise significant productivity gains and maintain our pub employment cost ratio at 24% of sales, despite a further increase of 3% in the National Minimum Wage in October 2007.

These scale operating efficiencies have enabled us to continue our value and volume strategy in the face of sizeable input cost inflation, while at the same time increasing net operating margins by 0.7 percentage points in the first half.

Extend the skill base of operational excellence throughout the estate

The skills and experience of our operating teams provide a critical competitive advantage for us in delivering high standards of customer service efficiently and profitably. We have continued to build our staff training programmes and industry leading practices in the areas of capacity management at peak times; kitchen processes and organisation; bar and floor service productivity; staff product knowledge and our responsiveness to direct measures of feedback on guest satisfaction. This focus on operational excellence is central to the high average levels of sales and profitability generated by our pubs.

Proactively manage the estate to maximise value

Our strategy is to maximise the profitability and value of each pub by applying the most appropriate trading format to the local market and demographics. During the half year we have applied this strategy to both the Acquired Sites and the existing estate. The Acquired Sites' conversion programme has been completed with over 200 pubs converted or on site to be converted to our formats. Average weekly sales uplifts on the converted sites are running at approximately 19% above the levels at which the pubs were acquired. We will be continuing to develop the trading performance of these high quality sites in order to deliver our three year target of 30% sales uplifts by the end of the 2009 financial year.

In addition, we opened 4 new sites, and carried out 35 conversions and 17 growth projects to change the customer offer or increase the trading area of the site in the core estate. We are generating a pre-tax incremental return of 17% on these investments over the last two years.

As a result of this strategy, and in light of the general levels of investment in the on-trade market as a whole, the amenity gap between our pubs and the majority of pubs in the UK is widening, further improving our overall customer value proposition and our market share gains relative to the rest of the on-trade.

We have continued to make targeted disposals taking advantage of the continuing strength of the market for quality sites, where the value to third parties is higher than the trading value to us. During the first half we generated £54m of disposal proceeds, at EBITDA multiples of 18 times.

Grow profits and capture asset appreciation to benefit shareholders

We remain committed to capturing more fully the property value of the estate for shareholders, than has been reflected in the current integrated business model.

Pubs are valued as specific use assets, primarily on the basis of their profitability, and our strong operating performance has helped to underpin the capital value of the estate. This is reflected in the £5.0bn valuation of the estate that was carried out in 2007 in conjunction with our property valuers, Colliers CRE.

We believe that a dedicated property company with high quality rental streams, the tax advantages of a REIT and a strong dividend payout would enable much greater transparency in the valuation of the estate.

We also fundamentally believe that under such arrangements, the strengths of our brands and formats, the quality of the sites, our exposure to growth markets and the operating capabilities of the company would ensure a business capable of above inflation growth through the cycle with attractive equity growth prospects.

Conditions in the financial markets currently preclude a structure which would enable the full value of the property to be demonstrated. If those conditions were to change, the Board is committed to seeking a property structure which would deliver the full value of the estate to shareholders.

KEY PERFORMANCE INDICATORS

Mitchells & Butlers implements and monitors its performance against its strategy principally through four key performance indicators (“KPIs”). The performance in the first half is as follows:

1. ***Same outlet like-for-like sales*** – Mitchells & Butlers’ operational and marketing plans have delivered resilient like-for-like sales growth of 0.8% in the first 32 weeks of the year. Like-for-like sales growth has reduced from 3.6% in the first half last year as a result of the impact of the smoking ban in England and Wales and the more challenging consumer environment.

2. ***Earnings per share*** - Operating profit in the first half has increased by 4.3% however, as a result of higher debt levels and interest costs, earnings per share before exceptional items and IAS 39 movements has increased by 0.7% to 14.9 pence per share.

3. ***CROCCE in excess of WACC*** **–** Mitchells & Butlers aims to maximise the difference between the post-tax Cash Return on Cash Capital Employed ("CROCCE") and its Weighted Average Cost of Capital ("WACC"), a key measure of value creation. A CROCCE of 10.8% after tax was achieved in the 12 months to 12 April 2008, constant in comparison with last year and around 4 percentage points ahead of our estimated WACC, reflecting the good operating performance supported by our efficient use of the balance sheet.

4. ***Incremental return on expansionary capital*** – Our performance in this area has been strong and remains well above our cost of capital and our internal investment appraisal hurdle rates. Pre-tax returns of 17% are being achieved on the expansionary capital projects carried out over the last two years compared with the 19% reported a year ago. This measure excludes the Acquired Sites due to the relatively short period of ownership and post conversion trading, making it more difficult to estimate seasonal patterns and annualised returns post conversion.

The basis of KPI calculation is included within the 2007 Annual report and accounts.

FINANCIAL REVIEW

Total revenue for the first half of the financial year was £995m, equal to the same period last year, including £2m of sales in both years from Standard Commercial Property Developments (SCPD).

Like-for-like sales growth was resilient in both Residential and High Street areas, reflecting the strength of our offers which are making significant market share gains in food and drink in more challenging trading conditions.

Like-for-like sales*	Same Outlet
Residential	0.8%
High Street	0.3%
Total	0.8%

* For 32 weeks

With the success of our ongoing sales and marketing activities, same outlet food sales were up 5.1% and drink sales decline was limited to 1.5%. This was achieved with average food and drink prices up 0.7%, reinforcing our value position in a market characterised by above inflation price increases.

Our increased share of the drinks market and the increasing scale of our food volumes have helped us to mitigate continuing pressures on cost of goods from food inflation and the recent drinks duty rises. Overall gross margins were approximately 1% lower than in the same period last year, also reflecting a further shift in the sales mix towards the higher growth but lower margin categories of food and wine.

By continuing to improve employee productivity, our pub employment ratio was maintained at approximately 24% of total retail sales, despite further increases in the National Minimum Wage and additional holiday pay entitlement adding £5m to our labour costs. Strong management action was also taken in the first half to reduce both fixed and variable operating costs by £20m for the year as a whole. As a result the net retail operating margin at 16.8% was 0.7 percentage points higher than the same period year.

We invested £117m in the half year, of which £18m related to the completion of the conversion of the Acquired Sites. In the existing estate, £59m was invested to maintain the high levels of amenity in the pubs and in the continuing development and evolution of our brands and formats and £40m was spent on expansionary projects. During the first half 4 new pubs opened and 35 existing pubs were converted to one of our brands or formats to uplift their sales and profits. We are achieving an incremental, pre-tax return of 17% on the core expansionary projects of the last two years.

During the first half we generated £54m of disposal proceeds taking advantage of the continuing strength of the market for quality sites, at EBITDA multiples of 18 times. As a result, net capital investment during the half year after disposals was £63m.

In addition to the strong Retail performance, SCPD realised a property development profit of £1m in the half year. As a result, total operating profit before exceptional items was £168m, up 4.3% on the same period last year.

Pubs & Bars

	HY08	**Growth**
Revenue	£508m	(1.4)%
Operating profit*	£90m	(2.2)%
Same outlet like-for-like sales**		(0.5)%

* Before exceptional items
** For 32 weeks

After the disposal of 25 managed pubs, 1 transfer to business franchise and 2 acquisitions, there were 1,105 managed pubs in the Pubs & Bars division at the end of the period, including 28 Acquired Sites. There were on average 1,113 managed pubs trading during the half year.

As a result of the impact of the smoking ban and the challenging consumer environment, revenue was down 1.4%, after including £13m from the Acquired Sites transferred to the division following conversion in the half. Excluding those Acquired Sites revenue in the core Pubs & Bars estate was down 1.8%.

Pubs & Bars continued to achieve market share gains in drink sales, as a result of the widening gap between our amenity, product range and value for money and that of the competition. Food sales in the half year were up 14.8% driven by growth in the residential pubs, notably Sizzling Pub Co., Scream and Metropolitan Professionals, as well as by the Town Pubs and the central London estate.

Machine sales have been negatively affected by the smoking ban with same outlet like-for-like sales down 8.0%.

A total of 29 conversions were completed, predominantly to residential brands and formats such as Sizzling Pub Co., Ember Inns and the Metropolitan Professionals format.

Pubs & Bars operating profit of £90m before exceptional items was down 2.2% in the half year with net operating margin decreasing from 17.9% to 17.7%.

Restaurants

	HY08	**Growth**
Revenue	£485m	1.5%
Operating profit*	£77m	13.2%
Same outlet like-for-like sales**		2.2%

* Before exceptional items
** For 32 weeks

Following the disposal of 10 pubs and 4 transfers to business franchise, there were 775 managed pubs in the Restaurants division at the end of the period, including 182 Acquired Sites and 2 new individual pubs. There were on average 768 managed pubs trading during the period.

Revenue was up 1.5%, including £88m from the Acquired Sites. Excluding the Acquired Sites, there were on average 585 pubs trading during the period and in these pubs revenue grew by 0.5%.

The Restaurants division has successfully integrated the Acquired Sites and has now completed or is on site with the remainder of the conversions as planned. Excluding these pubs, growth in the core estate in the period was good despite the increasing economic pressure on mid-market consumers and greater intensity of competition in pub food.

Restaurants operating profit of £77m before exceptional items was up 13.2% on the same period last year, including £11m from the Acquired Sites. Net operating margin was up 1.7 percentage points to 15.9%, as a result of the improved profit performance post the conversion of the Acquired Sites. Excluding the Acquired Sites, the Restaurants estate increased operating profit by 3.1% and increased operating margins by 0.4 percentage points.

Standard Commercial Property Developments (SCPD)

SCPD generated £2m of revenue and £1m of operating profit in the half year. After the period end SCPD exchanged contracts unconditionally on the sale of land realising proceeds of £11m and an estimated profit of £9m.

Exceptional items and IAS 39 Movements

Exceptional items are those which are separately identified by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group. Exceptional items are generally those which do not form part of the core operations of the Group. As a result, the Board focuses on "pre-exceptional" performance measures in order to compare underlying performance year on year.

The settlement in January 2008 of the majority of the interest rate and inflation hedging arrangements that the company entered into in July 2007 in respect of the proposed property joint venture resulted in a post tax loss of £274m with £129m booked in this half in addition to the £145m provided last year. A portion of the interest rate swaps were retained to cover approximately £300m of debt outside the securitisation and this forms part of the company's core long term debt structure. These swaps provide an economic hedge against the future anticipated cash flows associated with the company's financing, however they do not qualify for hedge accounting as defined in IAS 39. The movement in fair value on these swaps was £12m after tax at the end of the first half.

The Board has concluded a comprehensive strategic review examining all options for realising value for shareholders. The cost of the associated advisers' fees was £9m post tax, which is disclosed as an exceptional operating charge in the first half.

An exceptional post tax profit of £3m was made on individual pub disposals during the first half. This resulted in total post tax exceptional losses of £135m.

Finance costs and revenue

Finance costs during the first half were £89m before exceptional items, £7m higher than the same period last year, primarily as a result of higher debt levels in the company. Finance revenue of £4m was achieved on the Group's cash balances, £1m higher than the same period last year.

Net finance income from pensions was £1m, £6m lower than the same period last year due to a decrease in the expected return on the assets in the pension scheme compared to the charge for the liabilities.

The Group's blended net interest rate for the half year was 5.9% including the impact of the net finance income from pensions.

Taxation

The tax charge for the period was £24m before exceptional items and IAS 39 movements. This is an effective rate of 29% of profit before tax, 2 percentage points lower than the previous first half reflecting a change in the corporation tax rate.

Earnings per share

Earnings per share were 14.9p before exceptional items and IAS 39 movements, an increase of 0.7%.

The loss per share after exceptional items was 21.6p reflecting primarily the exceptional losses on the financial hedges settled in January.

Dividends and returns to shareholders

The Board remains committed to a progressive policy for dividends consistent with the medium term growth prospects of the company. An interim dividend of 4.55 pence per share, an increase of 7.1% on the same period last year, will be paid on 27 June 2008 to shareholders on the register on 30 May 2008. Notwithstanding a more challenging outlook for the economy and the market environment, the proposed increase in the ordinary dividend is reflects the Board's confidence in the prospects of the business.

Since Mitchells & Butlers listed in April 2003, shareholders have received more than £1.1bn in cash through special dividends and share buybacks, over and above ordinary dividends paid. This represents more than 70% of the company's market capitalisation in April 2003.

Cash flow and net debt

The Group's operations continue to be highly cash generative. Cash flow from operations was £180m before exceptional items but after additional pension contributions of £20m. Net capital expenditure was £63m which comprised £18m of expenditure on the Acquired Sites, £40m of core expansionary capital investment, £59m of maintenance capital, less disposal proceeds of £54m.

Net interest paid of £78m was £7m higher than the same period last year reflecting the effect of the increase in debt associated with the close-out of the interest rate and inflation hedging arrangements that the company entered into in July 2007. Tax paid was £4m, £9m lower than the prior year driven primarily by £8m of tax rebates received from the HM Revenue & Customs during the period.

As a result, there was a net cash inflow of £55m before exceptional costs of £386m on the closure of the hedging arrangements and operating exceptional expenditure of £6m.

Net debt at the end of the half was £2,822m, £289m higher than the same period last year, representing 5.8 times EBITDA.

Treasury management

The financial risks faced by the Group are identified and managed by a central Treasury department. The activities of the Treasury function are carried out in accordance with Board approved policies and are subject to regular audit. The department does not operate as a profit centre.

At 12 April 2008, the Group's net debt of £2,822m consisted of the securitised debt of £2,349m, non-securitised other borrowings and finance leases of £590m derivatives hedging balance sheet debt of £38m, offset by cash deposits of £155m.

Pensions

The pension schemes deficit had reduced to £7m (£5m after tax) at 12 April 2008 from £18m (£13m after tax) at 29 September 2007, on an IAS 19 basis. This reflects an increase in corporate bond rates used to discount the scheme's liabilities, partly offset by increased inflation expectations and lower returns on pension scheme assets.

The actuarial review undertaken in 2007 has been completed and showed a deficit as at 31 March 2007 of approximately £250m using the more conservative discount rate agreed with the trustees. The company has now formally agreed the recovery plan to close this deficit by 2017, which calls for pension payments of £24m per annum until 2017 including £4m in the second half. The recovery plan is subject to reviews at the next actuarial valuation as at 31 March 2010.

Risk factors and uncertainties

The risks and uncertainties that affect the company are set out in the 2007 Financial Statements which are available on the Mitchells & Butlers web site on www.mbplc.com. In this context we note that the business is seasonal with the frequenting of pubs and pub restaurants typically being slightly lower during the winter months than in summer.

GROUP INCOME STATEMENT
for the 28 weeks ended 12 April 2008

	2008 28 weeks		2007 28 weeks		2007 52 weeks	
	Before exceptional items and IAS 39 movements* £m	**Total £m**	Before exceptional items and IAS 39 movements* £m	Total £m	Before exceptional items and IAS 39 movements* £m	Total £m
Revenue (Note 2)	**995**	**995**	995	995	1,894	1,894
Operating costs before depreciation and amortisation	**(754)**	**(766)**	(765)	(769)	(1,422)	(1,433)
Profit/(loss) arising on property-related items	**-**	**5**	-	20	-	(23)
EBITDA **	**241**	**234**	230	246	472	438
Depreciation and amortisation	**(73)**	**(73)**	(69)	(69)	(129)	(129)
Operating profit (Note 2)	**168**	**161**	161	177	343	309
Finance costs (Note 4)	**(89)**	**(287)**	(82)	(82)	(153)	(374)
Finance revenue (Note 4)	**4**	**4**	3	3	6	6
Net finance income from pensions (Note 4)	**1**	**1**	7	7	11	11
Profit/(loss) before tax	**84**	**(121)**	89	105	207	(48)
Tax (expense)/credit (Note 5)	**(24)**	**34**	(28)	(33)	(62)	38
Profit/(loss) for the period	**60**	**(87)**	61	72	145	(10)
Earnings/(loss) per ordinary share (Note 6):						
Basic	**14.9p**	**(21.6)p**	14.8p	17.4p	35.5p	(2.5)p
Diluted	**14.9p**	**(21.6)p**	14.4p	16.9p	34.4p	(2.5)p
Dividends (Note 10):						
Ordinary dividends						
Proposed or paid (pence)		**4.55**		4.25		14.25
Proposed or paid (£m)		**18**		17		57
Special dividends						
Paid (pence)		**-**		100.0		100.0
Paid (£m)		**-**		486		486

* Exceptional items and IAS 39 movements are explained in Note 1 and analysed in Notes 3 and 4.
** Earnings before interest, tax, depreciation and amortisation.

All activities relate to continuing operations.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the 28 weeks ended 12 April 2008

	2008 28 weeks £m	2007 28 weeks* £m	2007 52 weeks £m
Unrealised gain on revaluation of the property portfolio	**1**	-	1,124
Tax charge relating to movement in unrealised gain due to revaluation	**-**	-	(317)
Tax credit relating to indexation of gains in respect of previous revaluations	**7**	11	25
(Losses)/gains on cash flow hedges taken to equity	**(30)**	58	55
Actuarial (losses)/gains on defined benefit pension schemes (Note 15)	**(9)**	103	33
Tax on items recognised directly in equity	**(6)**	(32)	(23)
Tax credit in respect of change in tax rate	**-**	-	30
(Loss)/income recognised directly in equity	**(37)**	140	927
Transfers to the income statement:			
On cash flow hedges	**(14)**	12	15
Tax on items transferred from equity	**4**	(4)	(5)
Net (loss)/income recognised directly in equity	**(47)**	148	937
(Loss)/profit for the period	**(87)**	72	(10)
Total recognised income and expense for the period attributable to equity holders of the parent	**(134)**	220	927

* Restated to reflect the prior year adjustment which arose as at 29 September 2007 (see Note 1).

GROUP BALANCE SHEET
12 April 2008

	2008 **12 April** **£m**	2007 14 April* £m	2007 29 September £m
ASSETS			
Goodwill and other intangible assets	**17**	20	17
Property, plant and equipment (Note 7)	**5,015**	3,922	5,030
Lease premiums	**11**	11	11
Pension surplus (Note 15)	**-**	49	-
Derivative financial instruments	**5**	31	30
Deferred tax asset	**23**	34	75
Total non-current assets	**5,071**	4,067	5,163
Inventories	**39**	42	38
Trade and other receivables	**66**	83	69
Derivative financial instruments	**1**	6	79
Cash and cash equivalents (Note 12)	**130**	94	117
Other cash deposits	**25**	1	-
Total current assets	**261**	226	303
Non-current assets held for sale	**26**	7	6
Total assets	**5,358**	4,300	5,472
LIABILITIES			
Borrowings	**(630)**	(240)	(234)
Derivative financial instruments	**(40)**	(1)	(295)
Trade and other payables	**(267)**	(259)	(243)
Current tax liabilities	**(13)**	(21)	(18)
Total current liabilities	**(950)**	(521)	(790)
Borrowings	**(2,309)**	(2,349)	(2,317)
Derivative financial instruments	**(49)**	(41)	(47)
Pension liabilities (Note 15)	**(7)**	-	(18)
Deferred tax liabilities	**(634)**	(506)	(723)
Provisions	**(1)**	(3)	(1)
Total non-current liabilities	**(3,000)**	(2,899)	(3,106)
Total liabilities	**(3,950)**	(3,420)	(3,896)
Net assets (Note 8)	**1,408**	880	1,576
EQUITY			
Called up share capital	**34**	34	34
Share premium account	**14**	14	14
Capital redemption reserve	**3**	3	3
Revaluation reserve	**824**	-	828
Own shares held	**(9)**	(17)	(13)
Hedging reserve	**(12)**	20	20
Translation reserve	**13**	6	7
Retained earnings	**541**	820	683
Total equity (Note 9)	**1,408**	880	1,576

* Restated to reflect the prior year adjustment which arose as at 29 September 2007 (see Note 1).

GROUP CASH FLOW STATEMENT
for the 28 weeks ended 12 April 2008

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
Cash flow from operations (Note 11)	**240**	196	447
Net interest paid	**(78)**	(71)	(145)
Tax paid	**(4)**	(13)	(33)
Net cash from operating activities	**158**	112	269
Investing activities			
Purchases of property, plant and equipment	**(117)**	(134)	(252)
Acquisition of Whitbread pub restaurant sites	**-**	(7)	(8)
Purchases of intangibles (computer software)	**-**	(1)	(1)
Proceeds from sale of property, plant and equipment	**54**	131	162
Transfers to cash deposits with a maturity of greater than three months	**(25)**	(1)	-
Corporate restructuring costs	**(3)**	-	(4)
Net cash used in investing activities	**(91)**	(12)	(103)
Financing activities			
Purchase of own shares	**(5)**	(46)	(46)
Proceeds on release of own shares held	**2**	10	11
Repayment of principal in respect of securitised debt	**(20)**	(19)	(39)
Proceeds from other debt	**395**	198	192
Expenditure associated with refinancing	**-**	(3)	(4)
Derivative financial instruments closure costs	**(386)**	-	-
Dividends paid	**(40)**	(521)	(538)
Net cash used in financing activities	**(54)**	(381)	(424)
Net increase/(decrease) in cash and cash equivalents (Note 13)	**13**	(281)	(258)
Cash and cash equivalents at the beginning of the period	**117**	375	375
Cash and cash equivalents at the end of the period	**130**	94	117

Cash and cash equivalents are defined in Note 12.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Basis of preparation and accounting policies
The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with International Accounting Standard (IAS) 34 'Interim Financial Reporting'. They have been prepared on a consistent basis using the accounting policies set out in the Annual report and accounts 2007 and should be read in conjunction with this document. Details of these accounting policies can also be accessed within the investors section of the Group's website at www.mbplc.com/IFRS.

The interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. They were approved by a duly appointed and authorised committee of the Board of Directors on 19 May 2008. The financial information for the year ended 29 September 2007 is extracted from the annual accounts for the year ended 29 September 2007, which have been delivered to the Registrar. The auditors' report on the annual accounts for the year ended 29 September 2007 was unqualified, and did not include an emphasis of matter reference or any statement required under Section 237(2) or (3) of the Companies Act 1985.

Adjusted profit
In addition to presenting information on an IFRS basis, the Group also presents information that excludes exceptional items and IAS 39 movements (see below). This information is disclosed to allow a better understanding of the underlying trading performance of the Group and is consistent with the Group's internal management reporting. Exceptional items, which include profits and losses on the disposal of properties, are identified by virtue of either their size or incidence so as to facilitate comparison with prior periods and to assess underlying trends in financial performance. IAS 39 movements represent movements in the fair value of the Group's derivative financial instruments which are commercially effective but which do not qualify for hedge accounting and are therefore recognised in the income statement. Adjusted profit excludes exceptional items and the IAS 39 movements.

Prior year adjustment
The Group noted in the 2007 Annual report and accounts that it had recognised a prior year adjustment. The adjustment related to the deferred tax provision for the future tax payable on the theoretical disposal of all of the Group's land and buildings. As a result of obtaining more detailed analysis of the tax base cost for individual assets, the Group demonstrated that the deferred taxation provision as at 1 October 2006 was understated by £76m. In order to correct this understatement the Group increased its deferred taxation provision as at 1 October 2006 by £76m, with a corresponding entry recognised in retained earnings at the same date. This adjustment was recognised through a prior year adjustment as the understatement represented an error which it would not be appropriate to correct prospectively. The prior year adjustment has increased the tax credit which relates to the indexation of gains in respect of previous revaluations for the 28 weeks ended 14 April 2007, by £11m. This is reflected in the statement of recognised income and expense. The deferred taxation provision reported at 14 April 2007 has also increased by £65m and the amount of retained earnings reported in 2007 has reduced by £65m.

Exchange rates
The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the period of £1=€1.37 (2007 28 weeks, £1=€1.49; 52 weeks, £1=€1.48). Euro and US dollar denominated assets and liabilities have been translated into sterling at the relevant rate of exchange at the balance sheet date of £1=€1.25 (14 April 2007, £1=€1.47; 29 September 2007, £1=€1.43) and £1=$1.97 (14 April 2007, £1=$1.98; 29 September 2007, £1=$2.04) respectively.

2 SEGMENTAL ANALYSIS

The Group's primary reporting format is by business segment.

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
Revenue			
Pubs & Bars	**508**	515	968
Restaurants	**485**	478	908
Retail	**993**	993	1,876
SCPD	**2**	2	18
Total revenue	**995**	995	1,894
Operating profit			
Pubs & Bars	**90**	92	191
Restaurants	**77**	68	145
Retail	**167**	160	336
SCPD	**1**	1	7
Operating profit before exceptional items	**168**	161	343
Exceptional items (Note 3)	**(7)**	16	(34)
Operating profit	**161**	177	309

After the allocation of exceptional items (where these can be attributed to a segment), the segmental profits are Pubs & Bars £96m (2007 28 weeks, £111m; 52 weeks, £174m), Restaurants £76m (2007 28 weeks, £65m; 52 weeks, £135m), SCPD £1m (2007 28 weeks, £1m; 52 weeks, £7m) and unallocated £(12)m (2007 28 weeks, £nil; 52 weeks, £(7)m).

3 EXCEPTIONAL ITEMS

	Notes	**2008 28 weeks £m**	2007 28 weeks £m	2007 52 weeks £m
Operating exceptional items				
Integration costs	a	**-**	(4)	(4)
Corporate restructuring costs	b	**-**	-	(7)
Strategic review costs	c	**(12)**	-	-
		(12)	(4)	(11)
Profits on disposal of properties		**11**	27	39
Losses on disposal of properties		**(3)**	(6)	(12)
Impairment arising from the revaluation of the property portfolio	d	**(1)**	-	(45)
Fair value adjustments on classification of Non-current assets held for sale	e	**(2)**	(1)	(5)
Profit/(loss) arising on property-related items		**5**	20	(23)
Total operating exceptional items		**(7)**	16	(34)
Exceptional finance costs				
Movement in fair value of derivative financial instruments closed out in the period	f	**(182)**	-	(204)
Total exceptional items before tax		**(189)**	16	(238)
Tax credit/(charge) relating to above items		**54**	(5)	69
Exceptional tax released in respect of prior years		**-**	-	9
Tax credit in respect of change in tax rate	g	**-**	-	17
		54	(5)	95
Total exceptional items after tax		**(135)**	11	(143)

a Costs associated with the integration of the 239 pub restaurant sites acquired from Whitbread on 21 July 2006.

b Expenditure incurred in connection with the evaluation of alternative corporate structures for the separation and refinancing of the Group’s property portfolio and operating business.

c Expenditure incurred in connection with the Group’s review of strategic options for value creation.

d Impairment arising from the Group’s adoption of a policy of revaluing its freehold and long leasehold land and buildings with effect from 29 September 2007.

e Adjustments to the carrying value of property, plant and equipment, prior to transferring these to assets held for sale, where the expected net sale proceeds are less than the book value.

f Movement in fair value of derivative financial instruments closed out in the period is the fair value movement during the period of the derivative financial instruments closed out in January 2008. The sum of the movement of £182m charged this period and the amount of £204m charged in the prior year represents the total cash cost of terminating these instruments.

g A deferred tax credit was recognised in the year following the enactment of legislation in July 2007 which lowers the UK standard rate of corporation tax from 30% to 28% with effect from 1 April 2008.

All exceptional items relate to continuing operations.

4 FINANCE COSTS AND REVENUE

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
Finance costs			
Securitised and other debt:			
- before exceptional charge	**(89)**	(82)	(153)
Exceptional finance costs:			
Movement in fair value of derivative financial instruments closed out in the period (Note 3)	**(182)**	-	(204)
IAS 39 movements*	**(16)**	-	(17)
Exceptional finance costs and IAS 39 movements	**(198)**	-	(221)
	(287)	(82)	(374)
Finance revenue			
Interest receivable	**4**	3	6
Net finance income from pensions	**1**	7	11

* IAS 39 movements represent the movements during the period in the fair value of the Group's derivative financial instruments which are commercially effective but do not qualify for hedge accounting.

5 TAX (CREDIT)/EXPENSE

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
UK corporation tax	**(1)**	19	35
Deferred tax	**(33)**	14	(73)
	(34)	33	(38)
Further analysed as tax relating to:			
Profit before exceptional items	**24**	28	62
Exceptional items (Note 3)	**(54)**	5	(95)
IAS 39 movements (Note 4)	**(4)**	-	(5)
	(34)	33	(38)

Tax has been calculated using an estimated annual effective tax rate of 29% (2007 28 weeks, 31%; 52 weeks actual, 30%) on profit before tax, exceptional items and IAS 39 movements.

6 EARNINGS PER ORDINARY SHARE

Basic earnings per share have been calculated by dividing the profit or loss for the financial period by the weighted average number of ordinary shares in issue during the period, excluding own shares held in treasury and by employee share trusts.

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potentially dilutive ordinary shares.

Adjusted earnings per ordinary share amounts exclude exceptional items and the IAS 39 movements (see Notes 3 and 4) in order to allow a better understanding of the underlying trading performance of the Group.

	Profit/ (loss) £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
28 weeks ended 12 April 2008			
Loss for the period	**(87)**	**(21.6)p**	**(21.6)p***
Exceptional items, net of tax	**135**	**33.5p**	**33.5p**
IAS 39 movements, net of tax	**12**	**3.0p**	**3.0p**
Adjusted profit/EPS	**60**	**14.9p**	**14.9p**
28 weeks ended 14 April 2007			
Profit for the period	72	17.4 p	16.9 p
Exceptional items, net of tax	(11)	(2.6)p	(2.5)p
IAS 39 movements, net of tax	-	-	-
Adjusted profit/EPS	61	14.8 p	14.4 p
52 weeks ended 29 September 2007			
Loss for the period	(10)	(2.5)p	(2.5)p*
Exceptional items, net of tax	143	35.0p	34.0p
IAS 39 movements, net of tax	12	3.0p	2.9p
Adjusted profit/EPS	145	35.5p	34.4p

* Diluted EPS per ordinary share for the 28 weeks ended 12 April 2008 and for the 52 weeks ended 29 September 2007 is unchanged from basic EPS, as the inclusion of the dilutive ordinary shares would reduce the loss per share and is therefore not dilutive.

The weighted average number of ordinary shares used in the calculations above are as follows:

	2008 28 weeks millions	2007 28 weeks millions	2007 52 weeks millions
For basic EPS calculations	**403**	413	408
Effect of dilutive potential ordinary shares:			
Contingently issuable shares	**5**	7	8
Other share options	**2**	5	5
For diluted EPS calculations	**410**	425	421

7 PROPERTY, PLANT AND EQUIPMENT

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
At beginning of period	**5,030**	3,867	3,867
Exchange differences	**4**	-	-
Additions	**113**	140	259
Revaluation	**1**	-	1,124
Impairment arising from the revaluation of the property portfolio	**(1)**	-	(45)
Disposals	**(42)**	(17)	(46)
Depreciation provided during the period	**(70)**	(66)	(122)
Movement in assets held for sale	**(20)**	(2)	(7)
At end of period	**5,015**	3,922	5,030

Freehold and long leasehold land and buildings are stated at market value as at 12 April 2008 and 29 September 2007, following the adoption by the Group of a policy of revaluing its freehold and long leasehold property portfolio to market value as at 29 September 2007. Property, plant and equipment as at 14 April 2007 is accounted for under the cost model, including the results of property revaluations prior to transition to IFRS.

At 12 April 2008, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment were £29m (14 April 2007, £36m; 29 September 2007, £26m).

8 NET ASSETS

	2008 12 April £m	2007* 14 April £m	2007 29 September £m
Pubs & Bars	**2,409**	1,925	2,322
Restaurants	**2,490**	1,881	2,597
Retail	**4,899**	3,806	4,919
SCPD	**14**	17	10
Segmental net assets	**4,913**	3,823	4,929
Net debt (Note 12)	**(2,822)**	(2,533)	(2,479)
Other unallocated net liabilities**	**(683)**	(410)	(874)
Net assets	**1,408**	880	1,576

* Restated to reflect the prior year adjustment which was reported at 29 September 2007 (see Note 1).

** Includes balances relating to derivatives, pensions, deferred and current tax and non-operating payables.

9 CHANGE IN EQUITY

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
Opening equity	**1,576**	1,209*	1,209*
Exchange differences	**6**	-	1
Total recognised income and expense	**(134)**	220	927
Dividends (Note 10)	**(40)**	(521)	(538)
Purchase of own shares	**(5)**	(42)	(42)
Release of own shares	**2**	10	11
Credit in respect of share remuneration	**3**	4	8
Closing equity	**1,408**	880	1,576

* Opening equity for 2007 was restated at 29 September 2007 due to a prior year adjustment of £76m (see Note 1 for further details).

Own shares held by the Group represent the shares in the Company held in treasury ('treasury shares') and by the employee share trusts.

During the financial period, the Company acquired nil (2007 28 weeks 1,033,000, 52 weeks 1,033,000) shares for treasury at a cost of £nil (2007 28 weeks £7.4m, 52 weeks £7.4m), released 542,580 (2007 28 weeks 216,565, 52 weeks 220,606) shares to employees on the exercise of share options for a total consideration of £1.1m (2007 28 weeks £0.4m, 52 weeks £0.4m) and consolidated nil (2007 28 weeks 88,443, 52 weeks 88,443) shares. The 699,389 shares held in treasury at 12 April 2008 had a market value of £2.3m (2007 28 weeks 1,246,010 shares had a market value of £9.9m, 52 weeks 1,241,969 shares had a market value of £7.6m). The aggregate nominal value of the treasury shares held at 12 April 2008 was £59,739 (2007 28 weeks £88,259, 52 weeks £106,000).

During the financial period, the employee share trusts acquired 866,643 (2007 28 weeks 4,908,500, 52 weeks 4,967,276) shares at a cost of £5.0m (2007 28 weeks £34.5m, 52 weeks £35.0m), released 1,063,841 (2007 28 weeks 5,301,160, 52 weeks 5,916,545) shares to employees on the exercise of share options and other share awards for a total consideration of £1.3m (2007 28 weeks £9.2m, 52 weeks £10.5m) and consolidated nil (2007 28 weeks 189,906, 52 weeks 189,906) shares. The 873,251 shares held by the trusts at 12 April 2008 had a market value of £2.9m (2007 28 weeks 1,627,058 shares had a market value of £12.9m, 52 weeks 1,070,449 shares had a market value of £13.0m).

10 DIVIDENDS

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
Amounts paid and recognised in equity			
In respect of the 52 weeks ended 30 September 2006:			
- Final dividend of 8.60p per share	**-**	35	35
In respect of the 52 weeks ended 29 September 2007:			
- Special interim dividend of 100.00p per share	**-**	486	486
- Interim dividend of 4.25p per share	**-**	-	17
- Final dividend of 10.00p per share	**40**	-	-
	40	521	538
Proposed interim dividend of 4.55p (2007 4.25p) per share for the 28 weeks ended 12 April 2008	18	17	

The proposed interim dividend for the 28 weeks ended 12 April 2008 was approved by the Board on 19 May 2008 and did not qualify for recognition in the financial statements at 12 April 2008.

11 CASH FLOW FROM OPERATIONS

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
Operating profit	**161**	177	309
Adjustments for:			
Operating exceptional items	**7**	(16)	34
Depreciation of property, plant and equipment	**70**	66	122
Amortisation of intangibles (computer software)	**3**	3	6
Amortisation of lease premiums	**-**	-	1
Cost charged in respect of share remuneration	**3**	4	8
Defined benefit pension cost less regular cash contributions	**1**	2	3
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	**245**	236	483
Movements in working capital and pension contributions:			
(Increase)/decrease in inventories	**(1)**	-	4
(Increase)/decrease in trade and other receivables	**(2)**	(13)	3
Increase in trade and other payables	**21**	17	3
Movement in provisions	**-**	-	(2)
Additional pension contributions	**(20)**	(40)	(40)
Cash flow from operations before exceptional items	**243**	200	451
Integration costs paid	**-**	(4)	(4)
Strategic review costs	**(3)**	-	-
Cash flow from operations	**240**	196	447

12 ANALYSIS OF NET DEBT

	2008 12 April £m	2007 14 April £m	2007 29 September £m
Cash and cash equivalents (see below)	**130**	94	117
Cash deposits with a maturity of greater than three Months	**25**	1	-
Securitised debt (see below)	**(2,349)**	(2,388)	(2,356)
Derivatives hedging balance sheet debt*	**(38)**	(39)	(45)
Loan notes	**-**	(2)	(2)
Other borrowings and finance leases (see below)	**(590)**	(199)	(193)
	(2,822)	(2,533)	(2,479)

* Represents the element of the fair value of currency swaps hedging the balance sheet value of the Group's US dollar denominated loan notes.

Cash and cash equivalents and cash deposits
Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and in hand plus cash deposits with an original maturity of three months or less. At 12 April 2008, Mitchells & Butlers Retail Limited had cash and cash equivalents of £117m (29 September 2007 £89m) which were governed by the covenants associated with the securitisation. Of this amount £8m (29 September 2007 £9m), representing disposal proceeds, was held on deposit in a secured account ('restricted cash'). The use of this cash requires the approval of the securitisation trustee and may only be used for certain specified purposes such as capital enhancement expenditure and business acquisitions.

Cash deposits with a maturity of greater than three months include an amount of £23m held at 12 April 2008, as part of a swap collateral arrangement.

Securitised debt
On 13 November 2003, a group company, Mitchells & Butlers Finance plc, issued £1,900m of secured loan notes in connection with the securitisation of the majority of the Group's UK pubs and restaurants business owned by Mitchells & Butlers Retail Limited. The funds raised were mainly used to repay existing bank borrowings of £1,243m, pay issue costs of £23m and return £501m to shareholders by way of a Special Dividend.

On 15 September 2006 Mitchells & Butlers Finance plc completed the issue of £655m of further secured loan notes. These were issued under substantially the same terms as the original securitisation in November 2003. The funds raised were mainly used to return £486m to shareholders by way of a Special Dividend and to provide long-term funding for the Whitbread pub restaurant sites acquired. As part of the issue, the original A1 and A3 loan note tranches (totalling £450m) were repaid and reissued as A1N and A3N loan notes to take advantage of market rates.

The overall cash interest rate payable on the loan notes is fixed at 5.7% after taking account of interest rate hedging and monoline insurance costs. The notes are secured on the majority of the Group's property and future income streams therefrom.

Other borrowings
On 28 September 2006, Mitchells & Butlers plc entered into a three year £300m revolving credit facility for general business purposes. On 21 November 2007, Mitchells & Butlers plc entered into a further £400m facility expiring on 28 September 2009 to provide the required liquidity in the event that a settlement amount resulted from the termination of the derivative financial instrument transactions relating to the property joint venture. As at 12 April 2008, £186m (14 April 2007 £185m, 29 September 2007 £192m) was drawn under the £300m facility and £385m under the £400m facility, which forms part of the 'Other borrowings and finance leases' balance within the analysis of net debt (see above). A further £18m was drawn under a short term uncommitted facility (14 April 2007 £13m, 29 September 2007 £nil).

Interest is payable on the facilities at LIBOR plus a margin (based on the prevailing level of Group net debt:EBITDA in respect of the £300m and £400m facilities).

The carrying value of the securitised debt in the Group balance sheet at 12 April 2008 is analysed as follows:

	2008 12 April £m	2007 14 April £m	2007 29 September £m
Principal outstanding at beginning of period	**2,371**	2,429	2,429
Principal repaid during the period	**(20)**	(19)	(39)
Exchange on translation of dollar loan notes	**7**	(13)	(19)
Principal outstanding at end of period	**2,358**	2,397	2,371
Deferred issue costs	**(19)**	(20)	(20)
Accrued interest	**10**	11	5
Carrying value at end of period	**2,349**	2,388	2,356

13 MOVEMENT IN NET DEBT

	2008 12 April £m	2007 14 April £m	2007 29 September £m
Net increase/(decrease) in cash and cash Equivalents	**13**	(281)	(258)
Add back cash flows in respect of other components of net debt:			
Transfers to deposits with a maturity of greater than three months	**25**	1	-
Proceeds from principal in respect of other borrowings and finance leases	**(395)**	(198)	(192)
Repayment of principal in respect of securitised debt	**20**	19	39
Increase in net debt arising from cash flows ('Net cash flow' per Note 14)	**(337)**	(459)	(411)
Non-cash movements	**(6)**	(7)	(1)
Increase in net debt	**(343)**	(466)	(412)
Opening net debt	**(2,479)**	(2,067)	(2,067)
Closing net debt	**(2,822)**	(2,533)	(2,479)

14 NET CASH FLOW

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
Operating profit before exceptional items	**168**	161	343
Depreciation and amortisation	**73**	69	129
EBITDA*	**241**	230	472
Working capital movement	**18**	4	8
Other non-cash items	**4**	6	11
Additional pension contributions	**(20)**	(40)	(40)
Cash flow from operations before exceptional items	**243**	200	451
Net capital expenditure **	**(63)**	(11)	(99)
Cash flow from operations before exceptional items and after net capital expenditure	**180**	189	352
Integration costs paid	**-**	(4)	(4)
Strategic review costs	**(3)**	-	-
Cash flow from operations after net capital expenditure	**177**	185	348
Net interest paid	**(78)**	(71)	(145)
Tax paid	**(4)**	(13)	(33)
Dividends paid	**(40)**	(521)	(538)
Purchase of own shares	**(5)**	(46)	(46)
Proceeds on release of own shares held	**2**	10	11
Expenditure associated with refinancing	**-**	(3)	(4)
Derivative financial instruments closure costs	**(386)**	-	-
Corporate restructuring costs	**(3)**	-	(4)
Net cash flow (Note 13)	**(337)**	(459)	(411)

* Earnings before interest, tax, depreciation, amortisation and exceptional items.

** Comprises purchases of property, plant and equipment and intangibles less proceeds from the sale of property, plant and equipment.

15 PENSIONS

Amounts recognised in the Group income statement in respect of the Group's defined benefit and defined contribution arrangements are as follows:

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
Operating profit			
Current service cost (defined benefit plans)	**(7)**	(7)	(13)
Current service cost (defined contribution plans)	**(1)**	(1)	(1)
Operating profit charge	**(8)**	(8)	(14)
Finance income			
Expected return on pension scheme assets	**42**	41	74
Interest on pension scheme liabilities	**(41)**	(34)	(63)
Net finance income	**1**	7	11
Total charge	**(7)**	(1)	(3)

Pension (deficit)/surplus is analysed as follows:

	2008 12 April £m	2007 14 April £m	2007 29 September £m
Fair value of scheme assets	**1,292**	1,281	1,292
Present value of scheme liabilities	**(1,299)**	(1,232)	(1,310)
Net (deficit)/surplus in the schemes recognised as a (liability)/asset in the balance sheet	**(7)**	49	(18)
Associated deferred tax asset/(liability)	**2**	(15)	5

Movements in the Schemes' net deficit is analysed as follows:

	2008 28 weeks £m	2007 28 weeks £m	2007 52 weeks £m
At beginning of period	**(18)**	(99)	(99)
Charge in the Group income statement (defined benefit plans)	**(6)**	-	(2)
Contributions paid	**26**	45	50
Actuarial (losses)/gains	**(9)**	103	33
At end of period	**(7)**	49	(18)

The inflation rate assumption used in calculating the pension scheme liabilities is 3.7% (29 September 2007 3.4%) and the discount rate applied to the pension scheme liabilities is 6.3% (29 September 2007 5.9%). With the exception of these two assumptions, the principal financial and mortality assumptions are consistent with those disclosed in the 2007 Annual report and accounts.

On 23 April 2008 the Company formally agreed a recovery plan with the Trustees to close the funding deficit in respect of its pension scheme liabilities, using a more prudent basis to discount the scheme liabilities than is required by IAS 19. The result of this is that the Group will make further additional contributions of £4m during the financial year 2008 and £24m in each of the financial years from 2009 to 2017, subject to review during the next actuarial valuation at 31 March 2010.

16 RELATED PARTY TRANSACTIONS

There have been no related party transactions during the period that have materially affected the financial position or performance of the Group.

There have been no changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group during the period.

17 CONTINGENT LIABILITIES

The Company has given indemnities in respect of the disposal of certain companies previously within the Six Continents group. It is the view of the Directors that such indemnities are not expected to result in financial loss to the Group.

18 EVENTS AFTER THE BALANCE SHEET DATE

On 9 May 2008, the Group exchanged contracts unconditionally for the sale of land realising proceeds of £11m and estimated profit of £9m.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm to the best of their knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

On behalf of the Board

Tim Clarke
Chief Executive
19 May 2008

Jeremy Townsend
Finance Director
19 May 2008

INDEPENDENT REVIEW REPORT TO MITCHELLS & BUTLERS 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 28 week period ended 12 April 2008, which comprises Group income statement, Group statement of recognised income and expense, Group balance sheet and Group cash flow statement. 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 guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our 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 Services 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 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 Ireland) 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 28 week period ended 12 April 2008 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 Services Authority.

Ernst & Young LLP
London
19 May 2008