21 May 2009

MITCHELLS & BUTLERS PLC

INTERIM RESULTS
(For the 28 weeks ended 11 April 2009)

FINANCIAL HIGHLIGHTS

	HY2009 £m	HY2008 £m	% growth
Revenue	1,024	995	2.9%
EBITDA*	209	241	(13.3)%
Operating Profit*	139	168	(17.3)%
Profit before tax[1]*	44	84	(47.6)%
Adjusted earnings per share **	7.9p	14.9p	(47.0)%
Basic loss per share ***	(1.5)p	(21.6)p	n/a
Dividends	-	4.55p	n/a

[1] Loss before tax after exceptional items and IAS 39 movements was £(16)m, HY2008: £(121)m
* 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 IAS 39 movements, divided by the weighted average ordinary shares in issue
*** Basic loss per share is stated after deducting exceptional items after tax of £2m, HY2008 £(135)m; and IAS 39 movements after tax of £(40m), HY2008 £(12m)

BUSINESS HIGHLIGHTS

- Long term swap liability settled: £69m net cash outflow; FY10 profits enhanced by £5m
- Tim Clarke resigns; Adam Fowle steps up as acting Chief Executive
- Robust trend of like-for-like sales up 1.5% in last 16 weeks
- Increased market share gains: like-for-like beer volume outperformance of 8% points
- Like-for-like food sales up 2.5% against weak eating out market
- Over 30% sales uplifts on 44 recently acquired Whitbread sites
- Half year operating profits down 17.3% reflecting £43m of regulatory and inflationary cost pressures
- Significant cash inflows: net debt down nearly £300m in 15 months to half year

Commenting on the results, Drummond Hall, Chairman said:

"The Board has decided to close the residual element of the swap, most of which was dealt with in January 2008. A new facility has been negotiated to provide additional headroom and the Company's financial position is sound. In these circumstances, it is with great regret that the Board has accepted the resignation of Tim Clarke. He has been the architect of the Company's success since it was created in 2003 and we are grateful for his outstanding contribution. Adam Fowle, Chief Operating Officer, will step up on an acting basis. Amidst intense recessionary pressures, we have delivered robust sales growth, unprecedented market share gains and substantial cost efficiencies which have helped us to successfully withstand a period of high input cost inflation. Our priorities remain to continue to outperform and to generate cash."

Current Trading

Recent trading over the past 16 weeks to 16 May, since last reporting at the AGM, has been robust, with like-for-like sales up 1.5%. The cumulative like-for-like sales growth for the first 33 weeks is 1.2%. Amidst significant declines in the on-trade drinks and eating out markets, our focus on customer value, service quality and high amenity standards has generated substantial market share gains. The trading patterns have been unusually volatile. February was poor due to the effects of the snow, particularly on our restaurants. March was much improved and April was very strong reflecting a late Easter and warmer weather. The first half of May has been more subdued against strong weather comparables. On an uninvested basis, like-for-like sales have shown an underlying improvement with growth of 0.2% compared to a decline of 0.7% in FY08, with virtually all of the strengthening occurring in the past 16 weeks.

	Total	Current Trading	Trading up to AGM
Like-for-like sales	33 weeks to 16 May*	16 weeks to 16 May*	17 weeks to 24 Jan
Residential	2.0%	2.2%	1.7%
High street	0.3%	0.9%	(0.3)%
Total	1.2%	1.5%	1.0%

* Includes entire Easter in both periods being compared

In the Residential part of the estate, accounting for 77% of our sales, like-for-like sales were up 2.0% in the first 33 weeks of the year. There were strong performances in Local pubs from Ember Inns, Sizzling Pub Co. and the Metro-professionals format. Pub Restaurants were resilient with a particularly strong performance from Crown Carveries, with its £3.50 meal price. Harvester has had a significant turnaround as a result of initiatives such as marketing the £4.99 Earlybird offer throughout the week.

In the High Street estate, accounting for 23% of sales, like-for-like sales were up 0.3% in the 33 weeks. The later evening venues have remained in decline, albeit with a recent improvement in trading, while the Town Pubs have performed well and Central London has continued to be buoyant.

Drink sales have progressively strengthened, with like-for-like sales growth improving to 1.7% against a declining on-trade market where beer volumes have fallen 8% in the six months to March 2009. In the last 16 weeks like-for-like drinks sales have grown by 2.2%. VAT exclusive drinks prices have increased by 2.9% in the period which includes the impact of the changes at the time of the VAT decrease in December that offset the step up in duty payable.

Like-for-like food sales growth of 2.5% and overall food sales growth of 7.7% represents a resilient performance. As the eating out market has slowed and consumers have become highly value sensitive, our promotional and marketing activity has been increased. As a result, like-for-like food volumes have grown by 6.3%, while the mix changes arising from faster growth in the value food formats and customers buying lower priced menu items, has led to a 4% fall in the average price of a main meal to £5.79.

In both drinks and food, our like-for-like volume performance represents a further significant acceleration in the rate of market share gains.

Other revenue categories, such as machines, accommodation and bowling, which account for 7% of total sales, have declined by 8.2% in the first 33 weeks, reflecting the pressures on consumer spending in their respective markets. This trend has remained consistent in the last 16 weeks with like-for-like sales falling by 8.5%. We anticipate some moderate improvement in the machines market from the increase in stakes and prizes in the next financial year.

Margins and inflationary cost pressures

The further growth in the food mix to 40% of total managed sales, partly reflecting the swap of lodges for pub restaurants in September 2008, combined with the customer shift to lower priced menu items has contributed to the pressures on gross margins. Moreover, as previously announced, energy and food cost inflation have impacted on our profitability with these costs increasing by £27m in the first half. Significant rises in duty, national minimum wage and business rates of £16m have also occurred in the period although these have been partly offset by a benefit from the VAT decrease of around £8m in respect of drinks sales in December 2008 which was higher than the associated duty increase of £4m. To mitigate these increasing costs we have implemented an efficiency plan which is on track to deliver £20m of savings during the year. These savings are mainly in the areas of staff productivity, purchasing and menu management but also include a salary cap of 2% for the purposes of the defined benefit pension scheme which will assist in mitigating future pension liabilities. The overall impact of these factors has been to reduce gross margin in the first half by 2.0% and net operating margins by 3.3% points.

Recently acquired sites

All 44 sites acquired in the lodges for pubs swap deal with Whitbread in September 2008 have already been converted to Mitchells & Butlers' brands and formats. Sales uplifts of over 30% are being achieved above the sales levels acquired, demonstrating the impact of our brand portfolio and operating skills on these excellent pub restaurant sites. The combination of these uplifts with operational efficiencies and productivity gains are expected to deliver sizeable increases in profitability over the next year.

Cash flow and swap settlement

The business continues to generate significant cash inflows that are currently being targeted at debt reduction. Net debt at the half year was £2,636m, around £100m lower than at the year end and a reduction of nearly £300m in the 15 months since the joint venture property swaps were closed out in February 2008. Drawings on the

£550m unsecured medium term facility were £411m at the half year, £103m lower than at the year end.

During the first half there were £53m of disposals and a net tax receipt of £21m from the finalisation of previous tax periods and utilisation of tax losses. We will continue to take advantage in the second half of the year of a modest level of disposal opportunities where appropriate value can be achieved. Further cash flow benefits are also being sought through improving supplier terms, which could benefit working capital by up to £25m, supported by an agreement with Abbey.

Since the half year end the long term interest rate swap held against the medium term borrowings has been settled at a net cash cost of £69m post tax. Long term debt in line with the 28 year swap is not now commercially available and with a swap termination clause in 2010 it is therefore appropriate to settle this liability using a medium term loan agreement with an initial value of £75m. This transaction will give rise to an enhancement to profit of £5m in FY10 as interest rates on the facility are based on short term rates, which are currently below 2%, as opposed to the previous 5.5% fixed by the swap. As reflected in the financial statements, the swap had a pre-tax mark to market loss at 27 September 2008 of £40m which had subsequently increased to £95m as at 11 April 2009 due to lower long term interest rates.

The additional loan agreement together with our existing unsecured medium term facility will form a single facility and have a borrowings profile in line with the cash generation of the business, as follows:

	Start date	Previous limit	Change	New limit
FY09	Current	£550m	-	£550m
FY10	December 2009	£400m	+£75m	£475m
FY10	June 2010	£350m	+£75m	£425m
FY11	December 2010	£300m	+£38m	£338m

Note: the facility matures in November 2011

Following the settlement of the swap, the drawings on our unsecured facility are now £451m, well inside the current available limit of £550m and already below the limit until May 2010 of £475m. Given our expectations of continued strong operating cash flows we anticipate that drawings will be comfortably inside the remaining limits as the facility amortises. Although the settlement of the swap will increase net debt in the short term, second half cash inflows are expected to fully offset this resulting in a further decrease in net debt by the year end. Overall, these strong inflows, together with £700m of unsecured pub assets, underpin our borrowings outside the securitisation.

Board Changes

In the light of the crystallisation of the swap loss, Tim Clarke has tendered his resignation, which has been accepted. He will leave Mitchells & Butlers by mutual agreement. Adam Fowle, currently Chief Operating Officer will become acting Chief Executive as the company carries out a thorough process to review the best candidate for the Chief Executive role.

Outlook

The outlook for consumer spending looks set to remain weak for the rest of 2009. In our markets, we have recently been seeing some signs of slowing in the previous rates of decline. However, customers remain cautious and value sensitive and any recovery prospects from improved levels of disposable income appear to be being offset by rising levels of unemployment.

The severe input cost increases that have had to be absorbed in the first half are now lessening. Energy costs are anticipated to be £5 million lower in the second half compared with last year, while inflation in our food costs is expected to fall to around 3%. These factors combined with the recent improvement in trading performance should reduce the level of pressure on second half net operating margins.

Recent trading patterns have been volatile. However, we expect the consumer appeal of our brands and formats; continued strong market share gains from our value and volume strategy; and the benefits of a high quality estate to support a resilient trading performance for the remainder of the year. As a result, the outlook for the full year remains in line with the Board's expectations.

There will be a presentation for analysts and investors at 9.30am at the Merrill Lynch Auditorium, 100 Newgate St, London EC1A 1H. A live webcast of the presentation will be available at www.mbplc.com. The conference will also be accessible by phone by dialling in 0844 493 6774 or from outside the UK +44(0) 1452 569 103, quote conference ID 97975153, the replay will be available until 03/06/09 on 0845 245 5205 or from outside the UK +44(0) 1452 55 00 00 replay access number 97975153#.

All disclosed documents relating to these Results are available on the Company's website at www.mbplc.com.

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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 almost four 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, Crown Carveries, 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.

- Like-for-like sales growth includes the sales performance against the comparable period in the prior year of all managed pubs that were trading in the two periods being compared. For the 33 weeks to 11 April 92% of the estate is included in this measure.
- Uninvested like-for-like sales include the sales performance for the comparable period in the prior year of those managed pubs that have not received expansionary investment of more than £30,000 in the two periods being compared. For the 33 weeks to 11 April 86% of the estate is included in this measure.

Mitchells & Butlers' strategy for growth and business review

Mitchells & Butlers' performance this period has been robust in light of the significant adverse impact that the economic recession is having on the pub market. Against this depressed background the strength of our brands and formats as well as our operating performance and marketing expertise has enabled us to deliver an improved trading performance with like-for-like sales up 1.5% in the last 16 weeks. As the on-trade's largest caterer selling 120 million meals in the UK per year we have the scale to deliver quality food at an average main meal price of only £5.79, a powerful combination in a highly value sensitive market. In drinks, our quality estate with high levels of amenity has been the bedrock of an impressive performance, with the value and range of our drinks products, coupled with the success of our food offers, enabling a significant outperformance of the market.

Operating Profit in the period has been impacted by increasing food and energy costs as well as regulatory costs (including duty) however our mitigating actions have partly offset these increases to enable our average profits per pub to remain as some of the highest in the industry.

We have generated this successful performance through the implementation of our operational strategy:

Lead the value for money casual dining market
Over the last 15 years food has been the main growth driver in the pub industry with 50% more now being spent in real terms by UK consumers on eating out. Through our operational expertise and consumer insight we have been able to take advantage of this increase in informal casual dining to develop high quality value menus such that our food volumes have grown by over 85% in the past six years with food now being the primary reason for visiting a Mitchells & Butlers pub.

The current economic pressures have for the first time in nearly 20 years reduced this market growth as people have become more value conscious and have eaten more at home. As our brands offer better value, this trend has given us significant competitive advantage which has generated further substantial market share gains. As a result, we have increased our relative outperformance of the eating-out market to over 10 percentage points with same outlet like-for-like food volume growth of 6% against a pub eating out market down approximately 4%. Over the last three months our volume performance has improved further to 7% growth.

The experience of previous recessions leads us to believe that value for money eating out remains well entrenched throughout the UK and therefore, as we come out of the current downturn, we expect to revert to the previous long term growth patterns. Over the last two years the relevance of value for money eating out has been further reinforced by the rise in the affordability of food in a Mitchells & Butlers pub compared to the cost of eating at home, with weighted grocery food prices having risen by 21% whilst the average price of a like-for-like meal in a Mitchells & Butlers pub has fallen by 7%. This 28% differential has given us significant opportunities in mainstream markets where our ability to deliver quality meals at good value price points is generating huge demand. The growth however is not solely driven by these offers with our formats focused on more affluent customers performing strongly and a resilient performance in our mid market brands where suburban families have been increasingly careful in their spending.

In the first half, we have targeted our marketing activity to ensure that it drives incremental food profit; even before the benefits of the incremental drinks volumes are added. In addition, we have used our brand scale both through press and digital marketing to communicate our promotions and offers more effectively to customers. We are now therefore receiving over one million visits per month to our websites and have sent out some 2.5 million promotional emails over the period, with some very good take up rates. As well as this, we have also focused on giving our customers options to trade up, ranging from specials menus in Vintage Inns and Premium Country Dining, to steak and sauce trade ups in Sizzling Pub Co. and Community Pubs.

Generate significant drinks market-share gains

The structural decline in the on-trade drinks market has continued in the first half. This has led to all the major on-trade product categories being under severe pressure with the market for beer and cider volumes down 8%; wines down 10%; spirits down 9% and soft drinks down 5%. This decline has particularly impacted drinks focused pubs with poor amenity and limited food capability. Against this challenging background Mitchells & Butlers has been able to deliver a very strong performance, with like-for-like drinks sales up 1.7% in the first 33 weeks of the year and beer volumes outperforming the market by 8% in the last year. This has been generated due to our focus on improving the quality and choice that we offer by widening the product range; offering excellent value for money; improving the serve quality through intensive cellar training; delivering better presentation through attractive glassware; as well as maximising the sales of drinks bought in conjunction with our increasing food volumes.

In support of this strategy during the first half, we have increased to over 750 the number of pubs retailing entry level draught beers at £2.00 a pint with these products now generating on average some 30% of their pub’s draught beer volumes. Similarly, we have trialled a very successful offer at 99p for a 125ml glass of wine in our Town Pubs which we are now looking at extending to other suitable formats. We have also been looking to add value to drinks through focusing on serve quality and range extensions in the growth categories. Consequently we have enhanced cellar training across the estate and are particularly pleased to now have over 730 pubs with the gold standard of cask marque accreditation. This investment in training combined with further extended distribution in the estate has helped like-for-like cask ale volumes grow by 16% in the period. We have also increased the range in cider and like-for-like volumes have grown by 13% in the period. Lastly we have underpinned our strong soft drinks market share gains with the continued rollout of new dispense equipment which has much improved the serve quality of draught carbonates.

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

A key element of our success has been our ability to develop, expand and evolve our formats to keep pace with fast changing consumer expectations. By having clearly differentiated offers targeted to a specific customer grouping, together with focused capital investment to invigorate and evolve formats, we have been able to create an industry leading portfolio of brands and formats focused on the growth segments of the market. This has enabled us to build long term sustainable brands such as Toby, Vintage Inns, O'Neill's, Nicholson's and All Bar One and then to evolve them over a number of years to meet changing customer demands. More recently during the period, in Harvester, we have extended Earlybird to Sundays and made a substantial price adjustment to the evening menu which has led to a strong second quarter turnaround.

We are achieving sales uplifts of over 30% on the pre-acquisition levels on the 44 pub restaurant sites acquired from Whitbread in September 2008. All the conversions of these outstanding sites to our formats have now been completed and a number have taken their place amongst the highest taking houses in our whole estate. This, following on from the successful integration of our larger acquisition in 2006, further demonstrates the power of our brand portfolio and operating skills.

Our new brand development has also been very successful over a number of years. Formats such as Crown Carveries and Premium Country Dining have been rolled out recently (we now have 108 and 55 pub restaurants respectively trading in these formats) and our new steakhouse offer, Miller & Carter (with 15 pub restaurants trading) is delivering strong like-for-like sales uplifts.

Deliver a profitable, integrated food and drink offer
Through carefully thought through pub design and offer development we have created more relaxed areas in our pubs to create an informal casual dining experience that resonates with customers. These have a less rigid separation between restaurants and drinking areas, encouraging eating out at any time of the day not just at mealtimes. This has allowed us to successfully integrate food and drinks offers with higher margin drink sales together with slightly lower margin food sales, delivered at a small incremental cost, resulting in attractive increases in profits.

The success of this strategy can be clearly seen in the profitability and continuing strength of sales growth being achieved in our previously drinks-led residential pubs where brands such as Sizzling Pub Co. and Ember Inns are now achieving food volumes of nearly 1,000 meals per week with same outlet drinks sales growth at 4%.

Extract volume driven efficiencies
A key element in our trading strategy is targeting the combination of price, volume and mix, that will generate the optimal profitability from our integrated food and drinks model.

During the first half in food, like-for-like prices on a VAT exclusive basis rose 1.3%. However, the more rapid growth in our value food formats and customers trading down to lower priced menu items and timeslots, led to average retail food prices falling by 4%. In December last year we put through, across all our menu items, the reduction in VAT from 17.5 to 15%.

In drinks, like-for-like prices on a VAT exclusive basis were raised by 3.1%, with a benefit from the VAT reduction being greater than the associated duty increase. There was also a much more modest element of consumer trading down in drinks than in food at 0.2%, and as a result, overall drinks prices rose some 2.9%. Drinks prices continued to increase at a slower rate than the market, for example, in the period, the price of a pint of standard lager in a Mitchells & Butlers pub has risen by half the rate of the on-trade.

The key effect of these divergent price trends was to sustain strong volume growth in food, which in turn helped to generate a return to drinks sales growth for the first time since before the smoking ban. It has also generated drinks category performance well above market levels with beer and cider volume growth in line with last year; spirits volumes declining by only 6%; and wine and soft drinks volumes up by 1%.

This volume growth enables significant purchasing synergies and cost efficiencies to be created, enhancing profitability. For example in the period, we have worked closely with our supply chain to hold our like-for-like food cost of goods inflation to 7.5%, a level well below that of the double digit general food cost inflation. Moreover we have kept food cost of goods inflation per unit to only 1.6%, partly due to consumers trading down but also as a result of our menu management actions which we expect to total £7m in the year as a whole. In addition, we have increased contribution per labour hour by 5.6%, our best ever growth, a significant achievement given the near 4% cost increase from the national minimum wage.

Extend the skill base of excellence throughout the estate
We continue to attract and train exceptional people looking to develop their career in licensed retailing and currently employ over 40,000 people throughout the estate. In a high staff turnover environment the ability to retain core staff is the key driver of long term performance and we have successfully increased the retention of long term employees by nearly 5 percentage points this period. A key factor supporting this is the continuing development of 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, and staff product knowledge. In January, the new, purpose-built Kitchen Skills Academy opened in Watford which provides a dedicated, state of the art training facility to support our food growth strategy and will deliver kitchen training at all levels across our brands and formats. This focus is central to our overall staff turnover rate improving by 14 percentage points to 104% in the period, one of the best in the pub industry.

The skills and experience of our operating teams are a key advantage in improving our customers' experience. We are maintaining our drive for excellence in guest service, with our continuous survey of customers' experiences across most of our brands providing direct guest feedback both on the offer and the individual pub and we have received some 300,000 responses in the first half. This gives us real competitive edge in identifying and addressing customer preferences and trends and drives profits through enhanced customer satisfaction.

Our training programmes not only give our employees the skills to achieve their ambitions but also, crucially, underpin our commitment to operate our businesses safely and meet our legal obligations. In this respect, we are in the final stages of our preparations to comply with the new Licensing (Scotland) Act 2005, which becomes effective on 1 September this year and requires a change to the way in which we operate our premises in Scotland. We strongly believe in the role of the pub to provide a safe, supervised environment for both the sale and consumption of alcohol and we give rigorous training on the responsible retailing of alcohol to give our retail employees the expertise and the confidence to serve our customers correctly.

Proactively manage the estate to maximise value

Our operational strategy continues to be to maximise the profitability and value of each pub by applying the most appropriate trading format for the local market and demographics, whilst looking to demonstrate and release the value of the estate through individual pub disposals at high EBITDA multiples.

In a pub market suffering from a dearth of capital investment, both in maintenance and new product development, the quality of Mitchells & Butlers pubs and our continued investment in capital is giving us further competitive advantage by driving the evolution of our offers and sustaining our high amenity levels. This further improves our customer value proposition and supports our continuing market share gains.

During the half year in addition to the completion of the conversion projects for the 44 pub restaurant sites acquired from Whitbread in September 2008, we have strived to ensure that the slightly lower capital investment does not put our market share gains at risk. We have therefore focused on carrying out a large number of refurbishments with spends of £40,000 or above. In the first half 250 of these have re-opened and we expect to complete a further 250 projects in the balance of the year. In addition, during the first half over 300 properties have had repairs or maintenance projects, with average spends of £25,000.

We have also achieved disposals of £53m in the period. These have been at high pub EBITDA multiples of over 14 times, in a market which is more challenging but where there are still opportunities to create value. These disposals have been in line with their net book value and reinforce the significant property value of £4.6bn on the balance sheet.

Key Performance Indicators

1. Same outlet like-for-like sales growth – despite the significant recessionary pressures and their effect on general consumer demand Mitchells & Butlers' operational and marketing plans have delivered resilient like-for-like sales growth of 1.2% in the first 33 weeks of the year. This compares with like-for-like sales growth of 0.8% in the first 32 weeks of last year.

2. EPS growth – on the back of a good trading performance, revenue for the Group was up 2.9%; however EBITDA and operating profit were down 13.3% and 17.3% respectively; impacted by energy and food inflation as well as regulatory cost increases such as duty and the national minimum wage in the first half. Higher net debt levels in the first half and reduced net interest income from pensions led to higher financing costs and hence profit before tax was 47.6% lower than the previous year. The effective tax rate was reduced from 29% to 28%, leading to an earnings per share decline of 47.0% (EPS increase of 0.7% in the first half last year).

3. CROCCE in excess of WACC - Mitchells & Butlers aims to maximise the difference between the post-tax CROCCE and its WACC, a key measure of value creation. A

CROCCE of 9.9% after tax was achieved in the 12 months to 11 April 2009, around three percentage points ahead of the estimated WACC for the year, reflecting the higher cost pressure in the period coupled with a worsening economic environment. (CROCCE was 10.8% after tax in the 12 months to 12 April 2008, around three to four percentage points ahead of our estimated WACC for that year.)

4. Incremental return on expansionary capital – the 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 12% are being achieved on the expansionary capital projects carried out over the last two years (7% on the same basis at H1 2008). This measure excludes the 44 sites acquired from Whitbread in September 2008 due to the relatively short period of ownership and post conversion trading for all these sites, making it more difficult to estimate seasonal patterns and annualised returns post conversion.

The basis of KPI calculation is included within the 2008 Annual Report and Accounts.

FINANCIAL REVIEW

Group results

The Company's results for the 28 weeks to 11 April reflect an improved like-for-like sales performance with increasing market share gains against declining food and drinks market volumes. On the back of this good trading performance total revenue was £1,024m, up 2.9% on last year. As previously flagged, the profits out-turn in the first half has been adversely affected by inflationary cost pressures, some of which are now beginning to reverse.

Like-for-like sales growth was robust in both Residential and High Street areas, reflecting a return to growth in drink sales and a continued good demand for food in our pubs and Pub Restaurants.

Like-for-like sales*	Same outlet
Residential	**2.0%**
High Street	**0.3%**
Total	**1.2%**

* Wks 1-33 to include the entire Easter period

The first half has seen continued food sales growth with same outlet sales up 2.5% in the 33 weeks, a strong result in light of the weakening eating out market. In the most recent 16 weeks like-for-like food sales also grew by 2.5%. Assisted by the growth in food volumes, same outlet drinks sales have returned to growth and were up 1.7%, representing an increased level of market share gains.

In order to maintain our highly competitive key price points, we have generally looked to absorb the inflationary pressure in food costs and duty and hence our gross margins have reduced. This combined with the increase in the food sales mix and the swap of high gross margin lodge assets for the 44 Whitbread pub restaurants has led to a reduction in gross margins of 2.0% points overall.

We continue to mitigate the gross margin decrease by actively managing our operational efficiency particularly through staff productivity. We have driven significant labour productivity gains again this year and have kept outlet staff costs at 24.5% of sales in line with last year despite the pressure of national minimum wage cost increases.

Even with this tight operational cost control and continued cost savings, net operating margin was down by 3.3% points to 13.6% as a result of the inflationary pressures particularly on energy costs and significant rises in duty and national minimum wage. Operating profit pre exceptional items and IAS39 movements was therefore down 17.3% at £139m.

In total we invested £77m in the period, of which £6m related to acquisition costs from the 44 sites acquired from Whitbread in September 2008; £19m related to their conversion; £40m was invested to maintain the high levels of amenity in the pubs and in the continuing development and evolution of our brands and formats; £5m related to new individual site acquisitions and £7m was spent on expansionary projects in the existing estate. During the year 3 new pubs opened and 50 pubs were converted to one of our brands or formats to uplift their sales and profits. We expect that gross capex for the full year will be approximately £125m.

Pubs & Bars

	H1 2009	Growth
Revenue	**£512m**	**0.8%**
Operating profit*	**£81m**	**(10.0)%**
Same outlet like-for-like sales**		**1.9%**

* Before exceptional items
** Wks 1-33 to include the entire Easter period

After the disposal of 11 managed pubs, 3 transfers from the Restaurant division and 1 transfer to business franchise, there were 1,072 managed pubs in the Pubs & Bars division at the end of the period. There were on average 1,074 managed pubs trading during the period.

Revenue was up 0.8% as the Pubs & Bars division continued to achieve substantial market share gains in drink and food sales. This was primarily as a result of the widening gap between the estate’s high amenity levels, its product range and its value-for-money compared with that of the competition. Food sales in the first half were up 7.7% driven by strong growth in a number of formats and most notably Sizzling Pub Co., Ember, O’Neill’s, Scream and Metropolitan Professionals, as well as our Town Pubs and central London estate.

Pubs & Bars’ operating profit of £81m before exceptional items was down 10.0% in the period with net operating margin decreasing from 17.7% to 15.8%, impacted by the cost increases in regulatory costs, food and energy.

Restaurants

	H1 2009	Growth
Revenue	**£511m**	**5.4%**
Operating profit*	**£58m**	**(24.7)%**
Same outlet like-for-like sales**		**0.6%**

* Before exceptional items
** Wks 1-33 to include the entire Easter period

Following the disposal of 3 pubs, the addition of 3 individual pubs and 3 transfers to Pubs and Bars there were 815 managed pubs in the Restaurants division at the end of the period. There were on average 801 managed pubs trading during the period.

The Restaurants division has successfully integrated and converted to Mitchells & Butlers brands and formats the majority of the 44 pubs acquired from Whitbread and total sales growth was strong with revenue up 5.4%.

Restaurants' operating profit of £58m before exceptional items was down 24.7% on the same period last year, impacted more acutely by the cost increases in food, energy and regulatory costs as well as the dilution from pre-opening and closure costs on the newly acquired sites. Net operating margin was down 4.5 percentage points to 11.4%.

Standard Commercial Property Developments (SCPD)
SCPD has generated £1m of revenue and a marginal operating profit during the half year.

Property
The Group has reviewed the valuation of its property estate which was last updated at 27 September 2008 reflecting the anticipated impact of the economic slowdown on pub values. Although increasing numbers of smaller wet-led pubs have come on to the market in the first half, demand for high quality pubs in prime locations remains good as evidenced by market multiples. Given the underlying trading levels, the Group believes that its pubs remain fairly valued at the half year.

Exceptional items and IAS 39 movements
Exceptional items are separately disclosed in order to aid the readers' understanding of the Group's underlying trading. They generally represent items which do not form part of the core operations of the Group, or which are sufficiently large to warrant separate disclosure in order to facilitate comparisons with earlier trading periods. Given the nature of these items, the Board uses "pre-exceptional" performance measures in order to compare underlying performance year on year.

The fair value movement of the interest rate swaps held against the Group's unsecured debt cost was £(40)m after tax (£(55)m before tax) at the end of the first half. After the end of the first half, the Group settled the swaps at a cost of £96m (£69m after tax).

A loss of £3m after tax was generated from individual pub disposals during the first half and an impairment charge of £5m after tax has been recognised, representing the book value of assets which the Group expects to sell within the next 12 months, to the extent that this is deemed to be irrecoverable.

Exceptional interest of £2m after tax has been recognised on tax receipts received from HMRC following the settlement of earlier tax years.

The result of the above is that total exceptional losses are £38m after tax (£60m before tax).

Finance charges

Finance costs were £93m in the first half before exceptional items, £4m higher than the same period last year, due to higher debt levels. Finance revenue of £1m was earned on the Group's cash balances, £3m lower than the same period last year reflecting the significant reductions in interest rates.

A net finance charge of £3m was recorded against pensions compared to income of £1m during the same period last year, principally as a result of the fall in the fair value of the pensions schemes assets in the period.

The Group's blended net interest rate for the half year was 6.2% including the impact of the net finance charge from pensions.

Taxation

The tax charge for the period was £12m before exceptional items and IAS 39 movements. This is an effective rate of 28% of profit before tax, a reduction of 1% on H1 2008. The tax rate is expected to revert back to 29% in FY 2010.

Earnings per share

Earnings per share were 7.9p before exceptional items and IAS 39 movements, a reduction of 47.0%.

The loss per share after exceptional items was 1.5p reflecting the IAS 39 fair value movements of the interest rate swaps held against the Group's unsecured debt cost.

Funding and 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.

The banking facilities in place within the business combined with the strong cash flows generated by the business support the Directors' view that the Group has sufficient facilities available to it to meet its foreseeable working capital requirements.

Pensions

The pension schemes deficit had increased to £39m (£28m after tax) at 11 April 2009 from £23m (£17m after tax) at 27 September 2008, on an IAS 19 basis. This reflects the lower than expected returns on pension scheme assets, offset by a minor increase in the corporate bond rate used to discount the scheme's liabilities and the reduction in the inflation rate assumptions since 27 September 2008.

The valuation basis agreed with the trustees uses a more conservative discount rate than is required under the accounting guidance for the balance sheet. The last formal valuation on the trustee basis was carried out in March 2007, at which time, on this more conservative basis, the valuation showed a deficit of around £250m. As a result a recovery plan was agreed with the trustees under which payments of £24m per annum would be made until 2017 to close the deficit by this time. The next full actuarial valuation will be carried out in March 2010 at which time the recovery plan will be reconsidered.

Risk factors and uncertainties

The risks and uncertainties that affect the company which remain unchanged are set out in the 2008 Financial Statements which are available on the Mitchells & Butlers website on www.mbplc.com/ar08 . 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 11 April 2009

	2009 28 weeks		2008 28 weeks		2008 52 weeks	
	Before exceptional items and IAS 39 movements[a] £m	**Total £m**	Before exceptional items and IAS 39 movements[a] £m	Total £m	Before exceptional items and IAS 39 movements[a] £m	Total £m
Revenue (Note 2)	**1,024**	**1,024**	995	995	1,908	1,908
Operating costs before depreciation and amortisation	**(815)**	**(815)**	(754)	(766)	(1,431)	(1,443)
Net (loss)/profit arising on property disposals	**-**	**(3)**	-	8	-	6
EBITDA [b]	**209**	**206**	241	237	477	471
Depreciation, amortisation and impairment	**(70)**	**(75)**	(73)	(76)	(134)	(340)
Operating profit (Note 2)	**139**	**131**	168	161	343	131
Finance costs (Note 4)	**(93)**	**(148)**	(89)	(287)	(174)	(379)
Finance revenue (Note 4)	**1**	**4**	4	4	7	7
Net finance (charge)/ income from pensions (Note 4)	**(3)**	**(3)**	1	1	3	3
Profit/(loss) before tax	**44**	**(16)**	84	(121)	179	(238)
Tax (expense)/credit (Note 5)	**(12)**	**10**	(24)	34	(52)	62
Profit/(loss) for the period	**32**	**(6)**	60	(87)	127	(176)
Earnings/(loss) per ordinary share (Note 6):						
Basic	**7.9p**	**(1.5)p**	14.9p	(21.6)p	31.5p	(43.7)p
Diluted	**7.9p**	**(1.5)p**	14.9p	(21.6)p	31.1p	(43.7)p
Dividends (Note 10): Ordinary dividends						
Proposed or paid (pence)		**-**		4.55		4.55
Proposed or paid (£m)		**-**		18		18

a Exceptional items and IAS 39 movements are explained in note 1 and analysed in notes 3 and 4.
b Earnings before interest, tax, depreciation, amortisation and impairment.

All activities relate to continuing operations.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the 28 weeks ended 11 April 2009

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Unrealised gain/(loss) on revaluation of the property portfolio	**-**	1	(166)
Tax credit relating to movements in respect of revaluations	**3**	7	64
Losses on cash flow hedges taken to equity	**(73)**	(30)	(20)
Actuarial losses on defined benefit pension schemes (Note 15)	**(30)**	(9)	(35)
Tax on items recognised directly in equity	**30**	(6)	5
Loss recognised directly in equity	**(70)**	(37)	(152)
Transfers to the income statement:			
On cash flow hedges	**(53)**	(14)	(30)
Tax on items transferred from equity	**15**	4	8
Net loss recognised directly in equity	**(108)**	(47)	(174)
Loss for the period	**(6)**	(87)	(176)
Total recognised expense for the period attributable to equity holders of the parent	**(114)**	(134)	(350)

GROUP BALANCE SHEET
11 April 2009

ASSETS	**2009 11 April £m**	2008 12 April £m	2008 27 September £m
Goodwill and other intangible assets	**2**	17	3
Property, plant and equipment (Note 7)	**4,602**	5,015	4,545
Lease premiums	**10**	11	10
Deferred tax asset	**108**	23	58
Derivative financial instruments	**11**	5	1
Total non-current assets	**4,733**	5,071	4,617
Inventories	**40**	39	39
Trade and other receivables	**55**	66	80
Current tax asset	**-**	-	3
Derivative financial instruments	**15**	1	-
Cash collateral deposits (Note 12)	**22**	25	2
Cash and cash equivalents (Note 12)	**93**	130	129
Total current assets	**225**	261	253
Non-current assets held for sale	**12**	26	114
Total assets	**4,970**	5,358	4,984
LIABILITIES			
Borrowings	**(199)**	(630)	(89)
Derivative financial instruments	**(71)**	(40)	(48)
Trade and other payables	**(260)**	(267)	(276)
Current tax liabilities	**(3)**	(13)	-
Total current liabilities	**(533)**	(950)	(413)
Borrowings	**(2,588)**	(2,309)	(2,755)
Derivative financial instruments	**(158)**	(49)	(33)
Pension liabilities (Note 15)	**(39)**	(7)	(23)
Deferred tax liabilities	**(584)**	(634)	(584)
Provisions	**-**	(1)	(1)
Total non-current liabilities	**(3,369)**	(3,000)	(3,396)
Total liabilities	**(3,902)**	(3,950)	(3,809)
Net assets attributable to equity holders of the parent (Note 8)	**1,068**	1,408	1,175
EQUITY			
Called up share capital	**35**	34	34
Share premium account	**15**	14	14
Capital redemption reserve	**3**	3	3
Revaluation reserve	**691**	824	697
Own shares held	**(2)**	(9)	(3)
Hedging reserve	**(107)**	(12)	(16)
Translation reserve	**17**	13	12
Retained earnings	**416**	541	434
Total equity (Note 9)	**1,068**	1,408	1,175

GROUP CASH FLOW STATEMENT
for the 28 weeks ended 11 April 2009

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Cash flow from operations (Note 11)	**188**	240	474
Net interest paid	**(82)**	(78)	(164)
Tax received /(paid)	**21**	(4)	(4)
Exceptional interest on tax credits	**3**	-	-
Net cash from operating activities	**130**	158	306
Investing activities			
Purchases of property, plant and equipment	**(76)**	(117)	(192)
Purchases of intangibles (computer software)	**(1)**	-	(1)
Proceeds from sale of property, plant and equipment	**15**	54	82
Proceeds from disposal of non-current assets held for sale	**38**	-	-
Transfers to cash collateral deposits	**(20)**	(25)	(2)
Corporate restructuring costs	**-**	(3)	(3)
Net cash used in investing activities	**(44)**	(91)	(116)
Financing activities			
Issue of ordinary share capital	**2**	-	-
Purchase of own shares	**-**	(5)	(5)
Proceeds on release of own shares held	**-**	2	3
Repayment of principal in respect of securitised debt	**(22)**	(20)	(41)
(Repayment of)/proceeds from principal in respect of other borrowings	**(102)**	395	320
Expenditure associated with refinancing	**-**	-	(11)
Derivative financial instruments closure costs	**-**	(386)	(386)
Dividends paid	**-**	(40)	(58)
Net cash used in financing activities	**(122)**	(54)	(178)
Net (decrease)/increase in cash and cash equivalents (Note 13)	**(36)**	13	12
Cash and cash equivalents at the beginning of the period	**129**	117	117
Cash and cash equivalents at the end of the period	**93**	130	129

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' and the provisions of the Companies Act 2006. They have been prepared on a consistent basis using the accounting policies set out in the Annual report and accounts 2008 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 as defined in Section 435 of the Companies Act 2006. They were approved by a duly appointed and authorised committee of the Board of Directors on 20 May 2009. The financial information for the year ended 27 September 2008 is extracted from the annual accounts for the year ended 27 September 2008, which have been delivered to the Registrar. The auditors' report on the annual accounts for the year ended 27 September 2008 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. 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 do not qualify for hedge accounting and are therefore recognised in the income statement. Adjusted profit excludes exceptional items and IAS 39 movements.

Exchange rates

The results of overseas operations have been translated into sterling at the average euro rate of exchange for the period of £1=€1.15 (2008 28 weeks, £1=€1.37; 52 weeks, £1=€1.31). 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=€1.11 (12 April 2008, £1=€1.25; 27 September 2008, £1=€1.26) and £1=$1.47 (12 April 2008, £1=$1.97; 27 September 2008, £1=$1.84) respectively.

2 SEGMENTAL ANALYSIS

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

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Revenue			
Pubs & Bars	**512**	508	954
Restaurants	**511**	485	939
Retail	**1,023**	993	1,893
SCPD	**1**	2	15
Total revenue	**1,024**	995	1,908
Operating profit			
Pubs & Bars	**81**	90	176
Restaurants	**58**	77	156
Retail	**139**	167	332
SCPD	**-**	1	11
Operating profit before exceptional items	**139**	168	343
Exceptional items (Note 3)	**(8)**	(7)	(212)
Operating profit	**131**	161	131

After the allocation of exceptional items (where these can be attributed to a segment), the segmental profits are Pubs & Bars £76m (2008 28 weeks, £96m; 52 weeks, £42m), Restaurants £55m (2008 28 weeks, £76m; 52 weeks, £90m), SCPD ('Standard Commercial Property Developments') £nil (2008 28 weeks, £1m; 52 weeks, £11m) and unallocated £nil (2008 28 weeks, £(12)m; 52 weeks, £(12)m).

3 EXCEPTIONAL ITEMS

	Notes	**2009 28 weeks £m**	2008 28 weeks £m	2008 52 weeks £m
Operating exceptional items				
Strategic review costs	a	**-**	(12)	(12)
		-	(12)	(12)
Profits on disposal of properties		**7**	11	19
Losses on disposal of properties		**(10)**	(3)	(13)
Net (loss)/profit arising on property disposals		**(3)**	8	6
Impairment arising from the revaluation of the property portfolio	b	**-**	(1)	(160)
Impairment arising on classification of non-current assets held for sale	c	**(5)**	(2)	(46)
Total impairment		**(5)**	(3)	(206)
Total operating exceptional items		**(8)**	(7)	(212)
Exceptional finance costs and revenue				
Movement in fair value of derivative financial instruments closed out (Note 4)	d	**-**	(182)	(182)
Exceptional interest on tax credits (Note 4)	e	**3**	-	-
		3	(182)	(182)
Total exceptional items before tax		**(5)**	(189)	(394)
IAS 39 movements (Note 4)		**(55)**	(16)	(23)
Total exceptional items and IAS 39 movements before tax		**(60)**	(205)	(417)
Tax credit relating to above items		**14**	58	88
Exceptional tax released in respect of prior years	e	**8**	-	14
Tax credit in respect of change in tax legislation	f	**-**	-	12
Tax credit on exceptional items and IAS 39 movements		**22**	58	114
Total exceptional items and IAS 39 movements after tax		**(38)**	(147)	(303)

a Professional fees incurred in connection with the Group's review of strategic options for value creation.

b Impairment arising from the Group's valuation of its property estate.

c Impairment arising on the carrying value of property, plant and equipment and goodwill, prior to transferring these to non-current assets held for sale, where the expected net sale proceeds are less than the book value.

d Movement in fair value of derivative financial instruments closed out represents the fair value movement during the prior period of the derivative financial instruments closed out in January 2008. The sum of the movement of £182m charged in the prior period and an amount of £204m charged in 2007 represents the total cash cost before taxation of terminating these instruments.

e Provisions of £8m have been released in 2009 relating to tax matters which have been settled principally relating to demerger costs and qualifying capital expenditure. Provisions of £14m were released in 2008 following the settlement of tax matters principally relating to disposals and qualifying capital expenditure. In addition £3m of interest arising on the settlement of prior year tax matters has been received in the period.

f Following changes to the tax legislation for hotels, a tax credit of £12m arose in 2008 in respect of the release of deferred tax on hotel assets.

All exceptional items relate to continuing operations.

4 FINANCE COSTS AND REVENUE

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Finance costs			
Securitised and other debt:			
- before exceptional charge	**(93)**	(89)	(174)
Exceptional finance costs:			
- movement in fair value of derivative financial instruments closed out (Note 3)	**-**	(182)	(182)
IAS 39 movements [a] (Note 3)	**(55)**	(16)	(23)
Exceptional finance costs and IAS 39 movements	**(55)**	(198)	(205)
	(148)	(287)	(379)
Finance revenue			
Interest receivable	**1**	4	7
Exceptional interest on tax credits (Note 3)	**3**	-	-
	4	4	7
Net finance (charge)/income from pensions (Note 15)	**(3)**	1	3

a IAS 39 movements represent the movements during the period in the fair value of the Group's derivative financial instruments which do not qualify for hedge accounting. On 20 May 2009 the fair value liability relating to these derivative financial instruments was settled (see note 12). This liability was fully charged against the income statement in the current and prior periods through the IAS 39 movements.

5 TAX (CREDIT) / EXPENSE

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Current tax	**(7)**	(1)	(15)
Deferred tax	**(3)**	(33)	(47)
	(10)	(34)	(62)
Further analysed as tax relating to:			
Profit before exceptional items	**12**	24	52
Exceptional items (Note 3)	**(7)**	(54)	(107)
IAS 39 movements (Note 3)	**(15)**	(4)	(7)
	(10)	(34)	(62)

Tax has been calculated using an estimated annual effective tax rate of 28% (2008 28 weeks, 29%; 52 weeks actual, 29%) 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.

Earnings per ordinary share amounts are presented before exceptional items (see note 3) and IAS 39 movements (see note 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 11 April 2009			
Loss for the period	**(6)**	**(1.5)p**	**(1.5)p**[a]
Exceptional items, net of tax	**(2)**	**(0.5)p**	**(0.5)p**
IAS 39 movements, net of tax	**40**	**9.9 p**	**9.9 p**
Adjusted profit/EPS	**32**	**7.9 p**	**7.9 p**
28 weeks ended 12 April 2008			
Loss for the period	(87)	(21.6)p	(21.6)p[a]
Exceptional items, net of tax	135	33.5 p	33.5 p
IAS 39 movements, net of tax	12	3.0 p	3.0 p
Adjusted profit/EPS	60	14.9 p	14.9 p
52 weeks ended 27 September 2008			
Loss for the period	(176)	(43.7)p	(43.7)p[a]
Exceptional items, net of tax	286	71.0 p	70.1 p
IAS 39 movements, net of tax	17	4.2 p	4.2 p
Adjusted profit/EPS	127	31.5 p	31.1p

a The diluted EPS per ordinary share is unchanged from basic EPS, as the inclusion of the dilutive ordinary shares would reduce the loss per share and is therefore not dilutive in accordance with IAS 33 ‘earnings per share’.

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

	2009 28 weeks millions	2008 28 weeks millions	2008 52 weeks millions
For basic EPS calculations	**405**	403	403
Effect of dilutive potential ordinary shares:			
Contingently issuable shares	**1**	5	3
Other share options	**-**	2	2
For diluted EPS calculations	**406**	410	408

7 PROPERTY, PLANT AND EQUIPMENT

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
At beginning of period	**4,545**	5,030	5,030
Exchange differences	**4**	4	3
Additions	**69**	113	267
Revaluation	**-**	1	(166)
Impairment arising from the revaluation of the property portfolio	**-**	(1)	(160)
Disposals	**(6)**	(42)	(151)
Depreciation provided during the period	**(67)**	(70)	(129)
Net movement in assets held for sale	**57**	(20)	(149)
At end of period	**4,602**	5,015	4,545

Freehold and long leasehold land and buildings are stated at market value. Short leasehold properties and fixtures, fittings and equipment are held at deemed cost at transition to IFRS less depreciation and impairment.

At 11 April 2009, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment were £16m (12 April 2008, £29m; 27 September 2008, £19m).

Net movements in assets held for sale includes assets with a carrying value of £70m which were included in non-current assets held for sale as at 27 September 2008, as in the view of the Directors at that time they met the criteria under 'IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations' as highly probable disposals within 12 months. They have been transferred back to Property Plant and Equipment as at 11 April 2009 as they no longer meet the necessary criteria under IFRS 5 for treatment as non-current assets held for sale.

Impairment arising on classification of non-current assets held for sale of £5m (see note 3) is included in Net movement in assets held for sale.

8 NET ASSETS

	2009 11 April £m	2008 12 April £m	2008 27 September £m
Pubs & Bars	**2,101**	2,409	2,128
Restaurants	**2,346**	2,490	2,370
Retail	**4,447**	4,899	4,498
SCPD	**13**	14	15
Segmental net assets	**4,460**	4,913	4,513
Net debt (Note 12)	**(2,636)**	(2,822)	(2,735)
Other unallocated net liabilities [a]	**(756)**	(683)	(603)
Net assets	**1,068**	1,408	1,175

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

9 CHANGE IN EQUITY

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Opening equity	**1,175**	1,576	1,576
Exchange differences	**5**	6	5
Share capital issued	**2**	-	-
Purchase of own shares	**-**	(5)	(5)
Release of own shares	**-**	2	3
Credit in respect of share-based payments	**-**	3	4
Total recognised income and expense	**(114)**	(134)	(350)
Dividends (Note 10)	**-**	(40)	(58)
Closing equity	**1,068**	1,408	1,175

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 (2008 28 weeks nil, 52 weeks nil) shares for treasury at a cost of £nil (2008 28 weeks £nil, 52 weeks £nil) and released 57,762 (2008 28 weeks 542,580, 52 weeks 1,183,778) shares to employees on the exercise of share options for a total consideration of £0.1m (2008 28 weeks £1.1m, 52 weeks £1.7m). The 429 shares held in treasury at 11 April 2009 had a market value of £0.0m (2008 28 weeks 699,389 shares had a market value of £2.3m, 52 weeks 58,191 shares had a market value of £0.1m). The aggregate nominal value of the treasury shares held at 11 April 2009 was £37 (2008 28 weeks £59,739, 52 weeks £5,000).

During the financial period, the employee share trusts subscribed for 890,893 (2008 28 weeks acquired 866,643, 52 weeks acquired 1,297,329) shares at a cost of £0.1m (2008 28 weeks £5.0m, 52 weeks £5.0m) and released 952,833 (2008 28 weeks 1,063,841, 52 weeks 1,260,408) shares to employees on the exercise of share options and other share awards for a total consideration of £0.0m (2008 28 weeks £1.3m, 52 weeks £1.6m). The 1,045,430 shares held by the trusts at 11 April 2009 had a market value of £3.0m (2008 28 weeks 873,251 shares had a market value of £2.9m, 52 weeks 1,107,370 shares had a market value of £2.6m).

10 DIVIDENDS

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Amounts paid and recognised in equity			
In respect of the 52 weeks ended 29 September 2007			
- Final dividend of 10.00p per share	**-**	40	40
In respect of the 52 weeks ended 27 September 2008			
- Interim dividend of 4.55p per share	**-**	-	18
	-	40	58
Proposed interim dividend of nil (2008 4.55p) per share for the 28 weeks ended 11 April 2009	-	18	

11 CASH FLOW FROM OPERATIONS

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Operating profit	**131**	161	131
Add back: operating exceptional items	**8**	7	212
Operating profit before exceptional items	**139**	168	343
Add back:			
Depreciation of property, plant and equipment	**67**	70	129
Amortisation of intangibles (computer software)	**3**	3	4
Amortisation of lease premiums	**-**	-	1
Cost charged in respect of share remuneration	**-**	3	4
Defined benefit pension cost less regular cash contributions	**(2)**	1	(2)
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	**207**	245	479
Movements in working capital and pension contributions:			
Increase in inventories	**(1)**	(1)	(1)
Decrease/(increase) in trade and other receivables	**16**	(2)	(7)
(Decrease)/increase in trade and other payables	**(18)**	21	39
Movement in provisions	**(1)**	-	-
Additional pension contributions	**(15)**	(20)	(24)
Cash flow from operations before exceptional items	**188**	243	486
Strategic review costs	**-**	(3)	(12)
Cash flow from operations	**188**	240	474

12 ANALYSIS OF NET DEBT

	2009 11 April £m	2008 12 April £m	2008 27 September £m
Cash and cash equivalents (see below)	**93**	130	129
Cash collateral deposits (see below)	**22**	25	2
Securitised debt (see below)	**(2,381)**	(2,349)	(2,339)
Derivatives hedging balance sheet debt [a]	**36**	(38)	(22)
Other borrowings and finance leases (see below)	**(406)**	(590)	(505)
	(2,636)	(2,822)	(2,735)

a Represents the element of the fair value of currency swaps hedging the balance sheet value of the Group's US dollar denominated loan notes. This amount is disclosed separately to remove the impact of exchange movements which are included in the securitised debt amount.

Cash and cash equivalents
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 11 April 2009, Mitchells & Butlers Retail Limited had cash and cash equivalents of £82m (12 April 2008 £117m, 27 September 2008 £118m) which were governed by the covenants associated with the securitisation. Of this amount £15m (12 April 2008 £8m, 27 September 2008 £14m), 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 and cash equivalents exclude an amount of £42m posted by the Group's swap providers within the securitisation as at 11 April 2009. This amount was posted under swap collateral arrangements with the Group following recent downgrades in the credit ratings of the swap providers. This is excluded from the cash and cash equivalents balance as the Group has no rights over the collateral in the absence of an event of loan default by its lenders.

Cash collateral deposits
Cash collateral deposits consist principally of £20m of collateral which was required to be held by the Group at 11 April 2009, as part of swap collateral arrangements with its swap providers. This cash was therefore subject to restrictions. The collateral was used as part of the settlement of the fair value of the £225m swaps and the forward starting swaps on 20 May 2009 (see 'Derivative financial instruments' below), at which point the collateral requirement was removed. Cash collateral deposits also include £2m of cash held in escrow at 11 April 2009.

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.

The carrying value of the securitised debt in the Group balance sheet at 11 April 2009 is analysed as follows:

	2009 11 April £m	2008 12 April £m	2008 27 September £m
Principal outstanding at beginning of period	**2,353**	2,371	2,371
Principal repaid during the period	**(22)**	(20)	(41)
Exchange on translation of dollar loan notes	**58**	7	23
Principal outstanding at end of period	**2,389**	2,358	2,353
Deferred issue costs	**(17)**	(19)	(18)
Accrued interest	**9**	10	4
Carrying value at end of period	**2,381**	2,349	2,339

Other borrowings and finance leases
On 24 July 2008 the Group entered into a three year £600m term and revolving credit facility expiring on 30 November 2011, including a £300m revolving credit facility, for general purposes which incurs interest at LIBOR plus a margin. The facility reduced to £550m from December 2008. As at 11 April 2009 the Group had drawn an amount of £411m (£404m net of deferred issue costs) against the £550m facility which forms part of the 'Other borrowings and finance leases' balance within the analysis of net debt (see above).

On 20 May 2009 the Group agreed an amendment to the £550m facility with its lenders under which an additional £75m facility was provided, which reduces to £37.5m in December 2010 and matures in November 2011. The amended facility incurs interest at LIBOR plus a margin. As the amendment to the facility was finalised after 11 April 2009, the drawings against this are not reflected in the net debt at 11 April 2009 stated above. Following the £75m amendment, the £550m unsecured facility will reduce to £475m in December 2009, £425m in June 2010 and £338m in December 2010.

Finance leases increased to £2m as at 11 April 2009, which is included within the 'Other borrowings and finance leases' balance above.

Derivative financial instruments
As at 11 April 2009, the Group held swaps ('the £225m swaps') which had an initial notional principal of £225m and a maturity date of 15 September 2037 against its medium-term borrowings; these included a mandatory early termination and settlement provision in December 2010 and did not qualify for hedge accounting. On 11 March 2009 the Group acquired forward starting swaps to limit the exposure of the fair value of the £225m swaps to further reductions in long term interest rates. These substantially fixed the economic fair value of the £225m swaps. The forward starting swaps had a start date of 15 September 2009, following which the Group would have paid LIBOR and received fixed rate interest of 3.6617% and included a mandatory early termination and settlement provision effective on 15 September 2009. On 20 May 2009 the Group agreed to settle the £225m swaps and the forward starting swaps at their fair value of £(96)m. The movement in the fair value of these swaps during the period was £(55)m before tax, disclosed within IAS 39 movements in note 4.

Funding and liquidity position
The Group's available secured debt and unsecured banking facilities, including the £75m agreed on 20 May 2009, which supported the settlement of the swaps (see above), combined with the strong cash flows generated by the business support the Directors' view that the Group has sufficient facilities available to it to meet its foreseeable working capital requirements.

13 MOVEMENT IN NET DEBT

	2009 11 April £m	2008 12 April £m	2008 27 September £m
Net (decrease)/increase in cash and cash equivalents	**(36)**	13	12
Add back cash flows in respect of other components of net debt:			
Transfers to cash collateral deposits	**20**	25	2
Repayment of principal in respect of securitised debt	**22**	20	41
Repayments of/(proceeds from) principal in respect of other borrowings and finance leases	**102**	(395)	(320)
Decrease/(increase) in net debt arising from cash flows ('Net cash flow' per Note 14)	**108**	(337)	(265)
Non-cash movements	**(9)**	(6)	9
Decrease/(increase) in net debt	**99**	(343)	(256)
Opening net debt	**(2,735)**	(2,479)	(2,479)
Closing net debt	**(2,636)**	(2,822)	(2,735)

14 NET CASH FLOW

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Operating profit before exceptional items	**139**	168	343
Depreciation and amortisation	**70**	73	134
EBITDA before exceptional items [a]	**209**	241	477
Working capital movement	**(4)**	18	31
Other non-cash items	**(2)**	4	2
Additional pension contributions	**(15)**	(20)	(24)
Cash flow from operations before exceptional items	**188**	243	486
Net capital expenditure [b]	**(24)**	(63)	(111)
Cash flow from operations before exceptional items and after net capital expenditure	**164**	180	375
Strategic review costs	**-**	(3)	(12)
Cash flow from operations after net capital expenditure	**164**	177	363
Net interest paid	**(82)**	(78)	(164)
Tax received/(paid)	**21**	(4)	(4)
Exceptional interest on tax credits	**3**	-	-
Dividends paid	**-**	(40)	(58)
Issue of ordinary share capital	**2**	-	-
Purchase of own shares	**-**	(5)	(5)
Proceeds on release of own shares held	**-**	2	3
Expenditure associated with refinancing	**-**	-	(11)
Derivative financial instruments closure costs	**-**	(386)	(386)
Corporate restructuring costs	**-**	(3)	(3)
Net cash flow (Note 13)	**108**	(337)	(265)

a Earnings before interest, tax, depreciation, amortisation and exceptional items.
b 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:

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
Operating profit			
Current service cost (defined benefit plans)	**(6)**	(7)	(13)
Current service cost (defined contribution plans)	**(1)**	(1)	(2)
Operating profit charge	**(7)**	(8)	(15)
Finance income			
Expected return on pension scheme assets	**40**	42	79
Interest on pension scheme liabilities	**(43)**	(41)	(76)
Net finance (charge)/income (Note 4)	**(3)**	1	3
Total charge	**(10)**	(7)	(12)

Pension deficit is analysed as follows:

	2009 11 April £m	2008 12 April £m	2008 27 September £m
Fair value of scheme assets	**1,126**	1,292	1,211
Present value of scheme liabilities	**(1,165)**	(1,299)	(1,234)
Deficit in the schemes recognised as a liability in the balance sheet	**(39)**	(7)	(23)
Associated deferred tax asset	**11**	2	6

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

	2009 28 weeks £m	2008 28 weeks £m	2008 52 weeks £m
At beginning of period	**(23)**	(18)	(18)
Charge in the Group income statement (defined benefit plans)	**(9)**	(6)	(10)
Contributions paid	**23**	26	40
Actuarial losses	**(30)**	(9)	(35)
At end of period	**(39)**	(7)	(23)

The principal financial and mortality assumptions used by the actuaries at the balance sheet date were consistent with those disclosed in the 2008 Annual report and accounts.

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

16 RELATED PARTY TRANSACTIONS

There have been no related party transactions during the period or the previous year requiring disclosure under IAS 24 'Related Party Disclosures'.

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 20 May 2009 the Group agreed to settle its £225m swaps and forward starting swaps at their fair value of £(96)m, using £76m provided by its lenders against the £550m facility and £20m of cash collateral held with its swap providers. Details of this are included in note 12.

On 18 May 2009 the Group announced that it was introducing a salary cap of 2% for the purposes of its defined benefit pension scheme. This change will impact the IAS 19 pension scheme liability reported in the 2009 Annual report and accounts, but has no impact on these interim financial statements.

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

Adam Fowle
Chief Operating Officer
20 May 2009

Jeremy Townsend
Finance Director
20 May 2009

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 11 April 2009, which comprise of the Group income statement, Group statement of recognised income and expense, Group balance sheet, Group cash flow statement and related notes 1 - 18. 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 11 April 2009 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
20 May 2009