MITCHELLS & BUTLERS PLC

14 May 2015

HALF YEAR RESULTS
(For the 28 weeks ended 11 April 2015)

Strong food volume growth drives sales progress

Financial performance

- Total revenue £1,113m, up 9.5%
- H1 2015 like-for-like sales growth 1.7%[a]
- Adjusted operating profit £153m, up 4.1%[b]
- Adjusted earnings per share 14.4p, up 5.9%[b]
- Net cash flow £47m (H1 2014 £43m)[c]

Balance sheet and cash flow

- Capital expenditure up to £94m (H1 2014: £86m), 9 new site openings and 23 conversions
- Net debt reduced from year end to £1.9bn representing 4.4 times EBITDA[d]

Operational performance

- Like-for-like food volume growth strengthens to +2.9% (H1 2014 +0.2%)
- Operating margin 13.7% (H1 2014 14.5%)[e] reflects Orchid and volume-driven sales growth
- Staff turnover at historical low of 77% (FY 2014 78%); net promoter score[f] up to 65% (FY 2014 63%)
- New EPOS systems live across whole estate
- Orchid integration on track: office closed, synergies created, conversions performing strongly

Alistair Darby, Chief Executive, commented:

"We have made good progress in the first half with continued strong food volume growth driving improved sales. Our Orchid integration plan is being successfully executed; the office is now closed and the first sites have been converted to our brands with encouraging sales uplifts.

The market in which we operate remains challenging despite growing consumer confidence. However, we are confident that our business is well placed to capitalise on opportunities in the market and deliver future shareholder value."

Definitions

a Like-for-like sales growth includes the sales performance against the comparable period in the prior year of all UK managed pubs, bars and restaurants that were trading in the two periods being compared. For the 28 weeks to 11 April 2015, 96% of the UK managed estate (excluding Orchid) is included in this measure.

b Adjusted items are quoted before exceptional items, there were no exceptional adjustments in the first half of FY 2015 but £3m of exceptional charges after tax in the first half of FY 2014.

c Net cash flow excludes £30m mandatory bond amortisation (H1 2014 £28m) and £120m transferred from cash to other cash deposits (H1 2014 £nil) and, in H1 2014 only, £148m which the Group was obliged to draw down from a liquidity facility under the terms of the securitisation. Net cash flow is detailed within the financial review.

d Adjusted EBITDA for the 52 weeks to 11 April 2015.

e Operating margin in H1 2014 is taken before exceptional items.

f Net promoter score is defined as the percentage of responses where we score 9 or 10 out of 10 ('brand promoters') less the percentage of responses where we score 0 to 6 ('brand detractors') to the statement "I am likely to recommend this pub to a friend and / or relative". Responses scoring 7 or 8 ('passives') are ignored in the calculation.

There will be a presentation for analysts and investors at 9.30am at Nomura International plc, 1 Angel Lane, London, EC4R 3AB. A live webcast of the presentation will be available at www.mbplc.com. The conference will also be accessible by phone: 020 3059 8125 and quote "Mitchells & Butlers". The replay will be available until 28 May on 0121 260 4861 replay access pin 0725582#.

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

For further information, please contact:

Tim Jones – Finance Director	+44 (0)121 498 6112
James Cooper – Investor Relations	+44 (0)121 498 4525
James Murgatroyd (Finsbury)	+44 (0)207 251 3801

Notes for editors:

- Mitchells & Butlers is the UK's largest operator of managed restaurants and pubs. Its portfolio of brands and formats includes Harvester, Toby Carvery, Country Pubs, Sizzling Pubs, Crown Carveries, Oak Tree Pubs, All Bar One, Browns, Miller & Carter, Castle, Alex, Nicholson's, O'Neill's and Ember Inns. Further details are available at www.mbplc.com and supporting photography can be downloaded at www.mbplc.com/imagelibrary.

- Mitchells & Butlers serves around 135 million meals and 435 million drinks each year and is one of the largest operators within the UK's £78 billion eating and drinking out market.

BUSINESS REVIEW

We are the UK's largest operator of managed restaurants and pubs, with a high quality freehold estate and a portfolio of strong brands. Our strategy is to focus on the long-term growth of food within the £78bn eating and drinking-out market, with around three-quarters of our turnover coming from guests eating in our pubs and restaurants.

In the first half of this year we have continued to concentrate on winning market share, by offering outstanding experiences to our guests at great value, whilst driving our investment towards the most attractive market spaces. The integration of the Orchid business is on track, with 14 new conversions open at the half year and the former head office now closed. We have also made further progress in key priority areas; notably completing the rollout of our EPOS systems project and continuing to grow our food volumes.

Our market

Indicators suggest a return to a favourable UK consumer environment: unemployment is lower than it has been since 2008, consumer confidence is rising and lower inflation has returned real wages to growth. Our market will benefit from this positive consumer environment.

However, after a period of austerity, and with many consumers continuing to carry a significant amount of personal debt, we recognise that many people remain cautious and highly selective in purchasing decisions. We believe that this caution explains a slight slowdown in the recent rate of market growth.

Within this environment, we believe we are well placed to meet key consumer needs:

- **Value:** consumers continue to be highly aware of value, across all demographics. We offer outstanding value across all of our brands and formats, from competitive drinks pricing in our Heartland estate, to a high-quality steak meal in Miller & Carter;
- **Flexibility:** guests demand the flexibility to eat and drink what, when and where it suits them. This gives us a significant opportunity to utilise our assets in timeslots which traditionally have been relatively quieter - the high rates of growth we are seeing across a range of breakfast offers is a notable example of this;
- **Brands**: Market growth continues to be driven by branded outlets at the expense of independent outlets. Guests seek the consistency and reliability which our brands are well-placed to offer.

Our brands and formats

We operate our businesses across five market spaces: Upmarket Social, Special, Family, Everyday Social and Heartland.

Market conditions in each of these spaces, coupled with an understanding of the positioning of our brands and concepts, dictate both how we operate and how we allocate our capital expenditure. We continue to adopt two broad and distinct approaches to these market spaces: expansionary investment in attractive opportunities and cash generation.

Attractive investment opportunities

The ‘Family’, ‘Special’ and ‘Upmarket Social’ market segments currently present attractive opportunities for investment, with the market trend being towards branded food, special-occasion dining and speciality drinks offerings. These are the market segments towards which we allocate the majority of our expansionary capital, including that relating to the conversion of Orchid sites. In the first half of this year we have acquired 9 and converted 16 outlets (including 8 Orchid conversions) across these market spaces.

Cash generation opportunities

The ‘Heartland’ and ‘Everyday Social’ market segments are characterised by the need to offer great value and service to our guests in community pubs. In these market segments our businesses generate significant profit and cash, but within market spaces that are not expected to grow as significantly as the aforementioned three.

These businesses continue to be valuable to us and appealing to our guests. As a result we look to grow them through consistently offering great prices, quality and service, as well as investing the necessary capital to ensure that our pubs continue to satisfy our guests’ needs. 7 conversions (including 6 Orchid conversions) have taken places in these market spaces in the first half.

Our performance

We have made good progress in the first half of the year, including the integration of Orchid into Mitchells & Butlers. We remain focused on four key areas to drive future growth: our people, our practices, our guests and our profits.

Our people

Our key measure of success with our people is retail staff turnover, which we reduced from 78% in FY 2014 to 77% in the first half. This enables us to make best use of our scale and our brands because stable and skilled teams deliver great guest experiences.

Our approach to people is founded on our ‘Good to Great’ philosophy, which adapts our ways of working to engage with our teams, empower them to make their own decisions, and ultimately to drive stronger performance. This is now live in the majority of the estate.

We remain committed to our investment in the next generation, and currently have around 1,500 people on a vocational or apprenticeship programme. In April this year we launched the new Mitchells & Butlers Hospitality Management Development Apprenticeship, a three-year scheme giving our apprentices the opportunity to acquire experience and skills across a range of brands and roles.

Our practices

Our practices refer to the safe and efficient way that we run our operations. We continue to make safety a top priority, and challenge all of our businesses to achieve an FSA Food Hygiene Rating of 5. We have made further progress towards achieving this goal in the first half.

The project to replace the EPOS systems in our pubs and restaurants has now been rolled out in all of our sites, including those acquired from Orchid. These systems enable a faster experience for our guests by speeding up order taking and bill payment, improving business controls, and allowing our retail teams to spend more time with guests.

Our guests

Growth in food volumes demonstrates the success of our focus on guests. We continue to be selective in increasing prices, preferring to win market share by attracting guests to our businesses through consistently offering great value and experiences.

Our key measure for understanding how we are rated by our guests is net promoter score, which measures how likely are our guests to recommend us to friends and family. In the first half our net promoter score increased by 2 ppts to 65%.

Our profits

A detailed review of our profit performance is provided in the next section. We have increased adjusted earnings per share by 5.9% in the first half, through increased like for like sales and the contribution of Orchid. Our operating margins fell by 80 basis points, reflecting the lower margin of Orchid ahead of full integration and food sales growth being volume rather than price driven.

Outlook

The market in which we operate continues to be dynamic and demanding with cost headwinds on the horizon. On a brand by brand basis we are focusing on specific guest needs to deliver outstanding value and great experiences. These drive our decisions in key areas such as pricing, innovation and capital allocation.

We have a strong understanding of our guests and a strategy designed to meet their needs. We develop outstanding teams, operate strong brands, offer great value and have a high-quality and well-maintained portfolio of pubs and restaurants. As a result we have confidence that we will be able to grow further shareholder value.

FINANCIAL REVIEW

On a statutory basis, profit before tax for the period was up 10.3% to £75m (H1 2014 £68m), on sales of £1,113m (H1 2014 £1,016m).

The Group discloses adjusted profit and earnings per share information that excludes exceptional items to allow a better understanding of its underlying trading performance. There were no exceptional adjustments in the first half of FY 2015 and £4m of pre-tax exceptional charges in the first half of FY 2014. On this basis, adjusted earnings per share increased by 5.9% in H1 2015 to 14.4 pence.

At the end of the first half, the total estate comprised 1,777 managed businesses and 57 franchised businesses, in the UK and Germany.

Revenue

The Group's total revenues increased by 9.5% to £1,113m, as a result of both growth in like-for-like sales and the contribution of new pubs and restaurants, including the 173 outlets acquired from Orchid on 15 June 2014.

Total like-for-like sales in the first half increased by 1.7%, with growth in both food and drink sales. Food sales growth was primarily driven by volume growth of 2.9%, with a small increase in average spend per head. Drink sales growth, by contrast, resulted from higher average spend growth of 2.7% partially offset by volume declines of 2.2%.

Like-for-like sales growth is also shown for weeks 1 – 32, which includes the Easter period in both financial years.

Like-for-like sales growth	Week 1 - 17 FY 2015	Week 1 – 28 FY 2015	Week 1 – 32 FY 2015
Total	1.7%	1.7%	1.4%
Food	2.8%	2.9%	2.5%
Drink	0.4%	0.4%	0.3%

Operating margins

As expected, adjusted operating margins across the year declined by 0.8 ppts. Whilst Orchid contributed operating profit of £6m to the Group in the first half, it was dilutive to percentage margin, with the head office remaining open for the majority of the period and many businesses yet to be converted to our own brands and formats. The conversion programme is now well under way and the head office was closed in April, allowing us to generate £6m of annual cost savings.

Operating margins have also been impacted by food sales growth being driven by volume rather than spend per head. While the additional volume generates incremental profit, the mix of products and timeslots, particularly breakfast, in which these sales are generated has led to a reduction in percentage margin. Operating profit was £153m for the period, 4.1% higher than adjusted operating profit in H1 2014.

Interest

Net finance costs of £78m were £3m higher than the prior year, due to the net pensions finance charge of £8m (H1 2014 £5m) now being included within adjusted profits, as announced at the time of the FY 2014 results. The charge for FY 2015 is anticipated to be £16m.

Taxation

The estimated annual effective tax rate is 20.5% (H1 2014 22%), the reduction reflecting the fall in the main rate of corporation tax.

Exceptional items

There were no exceptional items in the period and £4m of pre-tax exceptional charges in the first half of FY 2014.

Earnings per share

Earnings per share were 14.4p, 5.9% higher than adjusted earnings per share last year.

Cash flow and net debt

The cash flow statement below excludes £120m transferred from cash to other cash deposits and, in the prior year, £148m drawn down from a liquidity facility under the terms of the securitisation.

	H1 2015	**H1 2014**
	£m	**£m**
EBITDA before exceptional items	213	204
Working capital movement / non-cash items	26	25
Pension deficit contributions	(23)	(20)
Cash flow from operations before exceptional items	**216**	**209**
Maintenance and infrastructure capex	(70)	(58)
Interest	(63)	(65)
Tax	(12)	(16)
Free Cash Flow before exceptional items	**71**	**70**
Expansionary capex	(24)	(28)
Orchid acquisition	(1)	0
Other	4	1
Operating exceptional	(3)	0
Net cash flow	**47**	**43**
Mandatory bond amortisation	(30)	(28)
Net cash flow after bond amortisation	**17**	**15**

The business generated £213m of EBITDA in the period (H1 2014 £204m). Pension deficit contributions of £23m were higher than last year, reflecting the agreed increase in annual contribution of £45m (previously £40m). After maintenance capital, interest and tax, £71m of free cash was generated by the business (H1 2014 £70m).

Net debt was £1,917m, representing 4.4 times annualised EBITDA (H1 2014 4.1 times), the year on year increase being a result of the Orchid acquisition. Net debt within the securitisation was £1,949m and net cash held outside the securitisation was £32m.

Capital expenditure

Total capital expenditure was £94m, comprising £70m (H1 2014 £58m) spent on maintenance and infrastructure projects and £24m on new site openings (H1 2014 £28m).

Expenditure on maintenance and infrastructure projects increased primarily due to the EPOS systems project, additional remodels and the requirements of maintaining a larger estate. The EPOS systems project is now live in all of our pubs and restaurants, including Orchid sites. The systems generate significant productivity benefits through saved administration and server walk time, as well as improving the control environment and enabling faster payment speed for our guests. Over the last year other key infrastructure projects to upgrade HR and Finance systems have also now been substantially completed.

The blended EBITDA return on expansionary capital invested since FY 2012 was 18%. Given the varying nature of freehold acquisitions, leasehold acquisitions and conversions, the business reviews returns by category:

	H1 2015 Capex[a]	**H1 2015 No. of sites**	**FY 2012 - 2015 EBITDA ROI**[b]
Freehold acquisitions	£4m	2	15%
Leasehold acquisitions	£6m	7	18%
Conversions	£10m	23	23%
Total expansionary projects	£20m	32	18%

NOTES:
a: Capital expenditure relating to projects completed and opened during the period
b: Orchid sites included post-conversion

The Orchid acquisition and its integration plan is progressing well. The programme of converting Orchid sites to our brands and formats began before Christmas, with 14 opened at the half year and a further 7 subsequently. We expect to complete around 40 this financial year. Initial post-conversion trading has been strong.

Pensions

In May 2014 the Company reached agreement on the triennial valuation of the group pension schemes as at 31 March 2013, at an increased funding shortfall of £572m (March 2010 valuation: £400m). The discounted value of the minimum funding requirement agreed as part of the revised schedule of contributions is recognised in the balance sheet at £420m (FY 2014 £425m).

Dividends

The Board remains mindful of the attraction of the resumption of dividend payments and will continue to monitor anticipated net cash flow generation, before taking a decision on timing and quantum.

As an element of the current pensions agreement, referred to above, the Group has agreed that normal dividends will only be resumed provided they can initially be funded out of cashflow after bond amortisation.

Responsibility statement

We confirm to the best of our knowledge that this condensed set of financial information, which has been prepared in accordance with IAS 34, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

This responsibility statement was approved by the Board of Directors on 13 May 2015 and is signed on its behalf by Tim Jones, Finance Director.

GROUP CONDENSED INCOME STATEMENT
for the 28 weeks ended 11 April 2015

	2015 28 weeks (Unaudited)		2014 28 weeks restated* (Unaudited)		2014 52 weeks (Audited)	
	Before exceptional items[a] £m	**Total £m**	Before exceptional items[a] £m	Total £m	Before exceptional items[a] £m	Total £m
Revenue (note 2)	**1,113**	**1,113**	1,016	1,016	1,970	1,970
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	**(900)**	**(900)**	(812)	(812)	(1,548)	(1,560)
EBITDA[b]	**213**	**213**	204	204	422	410
Depreciation, amortisation and movements in the valuation of the property portfolio	**(60)**	**(60)**	(57)	(61)	(109)	(146)
Operating profit	**153**	**153**	147	143	313	264
Finance costs (note 4)	**(71)**	**(71)**	(71)	(71)	(132)	(132)
Finance revenue (note 4)	**1**	**1**	1	1	1	1
Net pensions finance charge (note 4)	**(8)**	**(8)**	(5)	(5)	(10)	(10)
Profit before tax	**75**	**75**	72	68	172	123
Tax expense (note 5)	**(16)**	**(16)**	(16)	(15)	(38)	(30)
Profit for the period	**59**	**59**	56	53	134	93
Earnings per ordinary share (note 6):						
Basic	**14.4p**	**14.4p**	13.6p	12.9p	32.6p	22.6p
Diluted	**14.2p**	**14.2p**	13.6p	12.9p	32.4p	22.5p

***** Restated following a change in presentation of pensions finance charge, see note 14.

a Exceptional items are explained in note 1 and analysed in note 3.
b Earnings before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio.

All results relate to continuing operations.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the 28 weeks ended 11 April 2015

	2015 28 weeks £m (Unaudited)	2014 28 weeks £m (Unaudited)	2014 52 weeks £m (Audited)
Profit for the period	**59**	53	93
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gain on revaluation of the property portfolio	**-**	-	62
Remeasurement of pension liability (note 11)	**(9)**	(2)	(214)
Tax relating to items not reclassified (note 5)	**4**	4	33
	(5)	2	(119)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(1)**	-	(1)
Cash flow hedges:			
- Losses arising during the period	**(94)**	(27)	(59)
- Reclassification adjustments for items included in profit or loss	**(1)**	31	48
Tax relating to items that may be reclassified (note 5)	**19**	(1)	2
	(77)	3	(10)
Other comprehensive (loss)/income after tax	**(82)**	5	(129)
Total comprehensive (loss)/income for the period	**(23)**	58	(36)

GROUP CONDENSED BALANCE SHEET
11 April 2015

ASSETS	**2015 11 April £m (Unaudited)**	2014 12 April £m (Unaudited)	2014 27 September £m (Audited)
Goodwill and other intangible assets (note 7)	**18**	5	18
Property, plant and equipment (note 7)	**4,273**	3,919	4,242
Lease premiums	**2**	1	1
Deferred tax asset	**167**	103	149
Derivative financial instruments (note 12)	**27**	-	5
Total non-current assets	**4,487**	4,028	4,415
Inventories	**28**	26	27
Trade and other receivables	**76**	46	60
Other cash deposits (note 9)	**120**	25	-
Cash and cash equivalents (note 9)	**152**	503	255
Total current assets	**376**	600	342
Total assets	**4,863**	4,628	4,757
LIABILITIES			
Pension liabilities (note 11)	**(85)**	(40)	(45)
Trade and other payables	**(339)**	(273)	(300)
Current tax liabilities	**(24)**	(17)	(21)
Borrowings (note 9)	**(210)**	(207)	(208)
Derivative financial instruments (note 12)	**(44)**	(45)	(45)
Total current liabilities	**(702)**	(582)	(619)
Pension liabilities (note 11)	**(335)**	(196)	(380)
Borrowings (note 9)	**(2,008)**	(2,042)	(2,012)
Derivative financial instruments (note 12)	**(290)**	(181)	(196)
Deferred tax liabilities	**(348)**	(337)	(353)
Long-term provisions	**(12)**	(12)	(12)
Total non-current liabilities	**(2,993)**	(2,768)	(2,953)
Total liabilities	**(3,695)**	(3,350)	(3,572)
Net assets	**1,168**	1,278	1,185
EQUITY			
Called up share capital	**35**	35	35
Share premium account	**26**	24	24
Capital redemption reserve	**3**	3	3
Revaluation reserve	**918**	869	918
Own shares held	**(2)**	(5)	(4)
Hedging reserve	**(272)**	(184)	(196)
Translation reserve	**10**	12	11
Retained earnings	**450**	524	394
Total equity	**1,168**	1,278	1,185

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY
for the 28 weeks ended 11 April 2015

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Own shares held £m	Hedging reserve £m	Translation of foreign operations £m	Retained earnings £m	**Total equity £m**
At 28 September 2013 (Audited)	**35**	**23**	**3**	**869**	**(4)**	**(187)**	**12**	**468**	**1,219**
Profit for the period	-	-	-	-	-	-	-	53	**53**
Other comprehensive income/(expense)	-	-	-	-	-	3	-	2	**5**
Total comprehensive income/(expense)	-	-	-	-	-	3	-	55	**58**
Share capital issued	-	1	-	-	-	-	-	-	**1**
Purchase of own shares	-	-	-	-	(2)	-	-	-	**(2)**
Release of own shares	-	-	-	-	1	-	-	(1)	**-**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Tax on share-based payments	-	-	-	-	-	-	-	1	**1**
At 12 April 2014 (Unaudited)	**35**	**24**	**3**	**869**	**(5)**	**(184)**	**12**	**524**	**1,278**
Profit for the period	-	-	-	-	-	-	-	40	**40**
Other comprehensive income/(expense)	-	-	-	50	-	(12)	(1)	(171)	**(134)**
Total comprehensive income/(expense)	-	-	-	50	-	(12)	(1)	(131)	**(94)**
Purchase of own shares	-	-	-	-	-	-	-	-	-
Release of own shares	-	-	-	-	1	-	-	-	**1**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Tax on share-based payments	-	-	-	-	-	-	-	(1)	**(1)**
Disposal of properties	-	-	-	(1)	-	-	-	1	-
At 27 September 2014 (Audited)	**35**	**24**	**3**	**918**	**(4)**	**(196)**	**11**	**394**	**1,185**
Profit for the period	-	-	-	-	-	-	-	59	**59**
Other comprehensive income/(expense)	-	-	-		-	(76)	(1)	(5)	**(82)**
Total comprehensive income/(expense)	-	-	-	-	-	(76)	(1)	54	**(23)**
Share capital issued	-	2	-	-	-	-	-	-	**2**
Release of own shares	-	-	-	-	2	-	-	(1)	**1**
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	**2**
Tax on share-based payments	-	-	-	-	-	-	-	1	**1**
At 11 April 2015 (Unaudited)	**35**	**26**	**3**	**918**	**(2)**	**(272)**	**10**	**450**	**1,168**

GROUP CONDENSED CASH FLOW STATEMENT
for the 28 weeks ended 11 April 2015

	2015 28 weeks £m (Unaudited)	2014 28 weeks £m (Unaudited)	2014 52 weeks £m (Audited)
Cash flow from operations before exceptional items (note 8)	**216**	209	391
Cash flow from operating exceptional items	**(3)**	-	(5)
Interest paid	**(64)**	(66)	(137)
Interest received	**1**	1	2
Tax paid	**(12)**	(16)	(34)
Net cash from operating activities	**138**	128	217
Investing activities			
Acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited	**(1)**	-	(269)
Cash acquired on acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited	**-**	-	11
Purchases of property, plant and equipment	**(91)**	(85)	(156)
Purchases of intangible assets	**(1)**	(1)	(6)
Payment of lease premium	**(2)**	-	-
Proceeds from sale of property, plant and equipment	**1**	2	4
Transfers (to)/from other cash deposits	**(120)**	-	25
Net cash used in investing activities	**(214)**	(84)	(391)
Financing activities			
Issue of ordinary share capital	**2**	1	1
Purchase of own shares	**-**	(2)	(2)
Proceeds on release of own shares	**1**	-	1
Repayment of principal in respect of securitised debt	**(30)**	(28)	(58)
Drawings under liquidity facility	**-**	148	147
Net cash (used in)/from financing activities	**(27)**	119	89
Net (decrease)/increase in cash and cash equivalents (note 10)	**(103)**	163	(85)
Cash and cash equivalents at the beginning of the financial period	**255**	340	340
Cash and cash equivalents at the end of the financial period	**152**	503	255

Cash and cash equivalents are defined in note 9.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Basis of preparation and accounting policies
This interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union. The interim financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The financial information for the 52 weeks ended 27 September 2014 does not constitute the company's statutory accounts for that period but is extracted from the audited accounts for that period, which have been delivered to the Registrar of Companies and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The auditor's report on these accounts was unqualified, did not draw attention to any matters of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. This interim financial information should be read in conjunction with the Annual Report and Accounts 2014.

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2014.

Adjusted profit
In addition to presenting information on an IFRS basis, the Group also presents adjusted profit and earnings per share information that excludes exceptional items, including the impact of related tax. This adjusted 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 are those which are separately identifiable by virtue of their size or incidence and include movements in the valuation of the property portfolio as a result of the annual revaluation exercise, impairment review of short leasehold and unlicensed properties and restructuring costs. Further information is available in the Annual Report and Accounts 2014 and in note 3.

Going Concern
The Group's available secured debt, 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. The Directors have concluded therefore that the going concern basis remains appropriate.

2. SEGMENTAL ANALYSIS

IFRS 8 Operating Segments requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker ("CODM"). The CODM is regarded as the Chief Executive together with other Board members. The CODM uses profit before interest and exceptional items (operating profit pre-exceptionals) as the key measure of the segment results. Group assets are reviewed as part of this process but are not presented on a segment basis.

The retail operating business operates all of the Group's retail operating units and generates all of its external revenue. The property business holds the Group's freehold and long leasehold property portfolio and derives all of its income from the internal rent levied against the Group's retail operating units. The internal rent charge is eliminated at the total Group level.

	Retail operating business			Property business			Total		
	2015 28 wks	2014 28 wks	2014 52 wks	**2015 28 wks**	2014 28 wks	2014 52 wks	**2015 28 wks**	2014 28 wks	2014 52 wks
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	£m
Revenue[a]	**1,113**	1,016	1,970	**-**	-	-	**1,113**	1,016	1,970
EBITDA pre exceptionals	**94**	99	221	**119**[b]	105[b]	201[b]	**213**	204	422
Operating profit pre exceptionals	**42**	50	127	**111**	97	186	**153**	147	313
Exceptional items[c]							**-**	(4)	(49)
Operating profit							**153**	143	264
Net finance costs							**(78)**	(75)	(141)
Profit before tax							**75**	68	123
Tax expense							**(16)**	(15)	(30)
Profit for the financial period							**59**	53	93

a Revenue includes other income of £3m (12 April 2014 £4m; 27 September 2014 £7m) in respect of franchise operations.

b The EBITDA pre-exceptionals of the property business relates entirely to rental income received from the retail operating business.

c Refer to note 3.

3. EXCEPTIONAL ITEMS

	Notes	**2015 28 weeks £m**	2014 28 weeks restated* £m	2014 52 weeks £m
Operating exceptional items				
Movement in the valuation of the property portfolio:				
- Impairment arising from the revaluation	a	**-**	-	(25)
- Other impairment	a	**-**	(4)	(11)
- Impairment of lease premium		**-**	-	(1)
Net movement in the valuation of the property portfolio		**-**	(4)	(37)
Other exceptional items:				
- Acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited	b	**-**	-	(12)
Total exceptional items before tax		**-**	(4)	(49)
Tax credit relating to above items		**-**	1	8
Total exceptional items after tax		**-**	(3)	(41)

***** Restated following a change in presentation of pensions finance charge, see note 14.

a Movements in the valuation of the property portfolio includes impairment arising from the Group's revaluation of its pub estate and impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amount.

b Relates to integration costs and legal and professional fees incurred in the acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited on 15 June 2014.

All exceptional items relate to continuing operations.

4. FINANCE COSTS AND FINANCE REVENUE

	2015 28 weeks £m	2014 28 weeks £m	2014 52 weeks £m
Finance costs			
Securitised and other debt – loans and receivables	**(71)**	(71)	(132)
Finance revenue			
Interest receivable – cash	**1**	1	1
Net pensions finance charge (note 11)	**(8)**	(5)	(10)

5. TAXATION

	2015 28 weeks	2014 28 weeks	2014 52 weeks
	£m	£m	£m
Tax charged in the income statement			
Current tax	**(15)**	(16)	(38)
Deferred tax	**(1)**	1	8
	(16)	(15)	(30)

	2015 28 weeks	2014 28 weeks	2014 52 weeks
	£m	£m	£m
Tax relating to items recognised in other comprehensive income			
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
- Unrealised gains due to revaluations – revaluation reserve	**-**	-	(12)
- Unrealised gains due to revaluations – retained earnings	**2**	4	2
- Remeasurement of pension liability	**2**	-	43
	4	4	33
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges:			
- Losses arising during the period	**19**	5	12
- Reclassification adjustments for losses included in profit or loss	**-**	(6)	(10)
	19	(1)	2
Total tax credit/(charge) recognised in other comprehensive income	**23**	3	35

Tax has been calculated using an estimated annual effective tax rate of 20.5% (2014 28 weeks, 22%; 52 weeks, 22%) on profit before tax.

The Finance Act 2013 reduced the main rate of corporation tax from 23% to 20% from 1 April 2015. The effect of this change was reflected in the closing deferred tax balance at 27 September 2014.

6. EARNINGS PER ORDINARY SHARE

Basic earnings per share (EPS) have been calculated by dividing the profit 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 are presented before exceptional items (see note 3) in order to allow a better understanding of the underlying trading performance of the Group.

	Profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
28 weeks ended 11 April 2015			
Profit/EPS	**59**	**14.4 p**	**14.2 p**
Exceptional items, net of tax	**-**	**-**	**-**
Adjusted profit/EPS	**59**	**14.4 p**	**14.2 p**
28 weeks ended 12 April 2014 (restated*)			
Profit/EPS	53	12.9 p	12.9 p
Exceptional items, net of tax	3	0.7 p	0.7 p
Adjusted profit/EPS	56	13.6 p	13.6 p
52 weeks ended 27 September 2014			
Profit/EPS	93	22.6 p	22.5 p
Exceptional items, net of tax	41	10.0 p	9.9 p
Adjusted profit/EPS	134	32.6 p	32.4 p

***** Restated following a change in presentation of pensions finance charge, see note 14.

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

	2015 28 weeks millions	2014 28 weeks millions	2014 52 weeks millions
For basic EPS calculations	**411**	410	411
Effect of dilutive potential ordinary shares:			
- Contingently issuable shares	**3**	1	1
- Other share options	**1**	2	1
For diluted EPS calculations	**415**	413	413

7. PROPERTY, PLANT AND EQUIPMENT

	2015 11 April £m	2014 12 April £m	2014 27 September £m
At beginning of period	**4,242**	3,895	3,895
Acquired through business combinations	**-**	-	279
Additions	**91**	85	157
Revaluation	**-**	(4)	26
Disposals	**(1)**	(2)	(7)
Depreciation provided during the period	**(59)**	(55)	(108)
At end of period	**4,273**	3,919	4,242

The freehold and long leasehold licensed properties were valued at market value as at 27 September 2014 by CBRE, independent Chartered Surveyors. Short leasehold properties, unlicensed properties and fixtures, fittings and equipment are held at deemed cost at transition to IFRS less depreciation and impairment provisions.

Goodwill and other intangible assets at 11 April 2015 comprises goodwill of £11m (12 April 2014 £2m, 27 September 2014 £11m) and computer software of £7m (12 April 2014 £3m, 27 September 2014 £7m). Goodwill includes a provisional amount of £9m in relation to the Orchid acquisition on 15 June 2014.

8. CASH FLOW FROM OPERATIONS BEFORE EXCEPTIONAL ITEMS

	2015 28 weeks £m	2014 28 weeks £m	2014 52 weeks £m
Operating profit	**153**	143	264
Add back: operating exceptional items	**-**	4	49
Operating profit before exceptional items	**153**	147	313
Add back:			
Depreciation of property, plant and equipment	**59**	55	108
Amortisation of intangibles	**1**	1	1
Amortisation of lease premium	**-**	1	-
Cost charged in respect of share based payments	**2**	1	2
Administrative pension costs (note 11)	**1**	1	2
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	**216**	206	426
Movements in working capital and pension contributions:			
Increase in inventories	**(1)**	(2)	(1)
Decrease in trade and other receivables	**2**	18	15
Increase/(decrease) in trade and other payables	**22**	4	(3)
Increase in provisions	**-**	3	3
Additional pension contributions (note 11)	**(23)**	(20)	(49)

Cash flow from operations before exceptional items	**216**	209	391

9. ANALYSIS OF NET DEBT

	2015 11 April £m	2014 12 April £m	2014 27 September £m
Cash and cash equivalents	**152**	503	255
Other cash deposits	**120**	25	-
Securitised debt	**(2,071)**	(2,101)	(2,073)
Liquidity facility	**(147)**	(148)	(147)
Derivatives hedging balance sheet debt[a]	**29**	-	7
	(1,917)	(1,721)	(1,958)

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, including overnight deposits, comprise cash at bank and in hand of £152m (12 April 2014 £432m, 27 September 2014 £255m) and cash deposits with an original maturity of three months or less of £nil (12 April 2014 £71m, 27 September 2014 £nil).

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Mitchells & Butlers Retail Limited, the Group's main operating subsidiary. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash, by way of dividends for example, to other Group companies. At 11 April 2015, Mitchells & Butlers Retail Limited had cash and cash equivalents of £90m (12 April 2014 £97m, 27 September 2014 £78m) which were governed by the covenants associated with the securitisation. Of this amount £37m (12 April 2014 £46m, 27 September 2014 £36m), representing disposal proceeds, was held on deposit in an account over which there are a number of restrictions. 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.

Other cash deposits
Other cash deposits at 11 April 2015 comprise £120m (12 April 2014 £25m, 27 September 2014 £nil) of cash at bank with an original maturity of three months or more.

Securitised debt
The overall cash interest rate payable on the loan notes is fixed at 6.1% (12 April 2014 6.1%, 29 September 2014 6.1%) after taking account of interest rate hedging and the cost of the provision of a financial guarantee provided by Ambac in respect of the Class A and AB notes. The notes are secured on the majority of the Group's property and future income streams.

The carrying value of the securitised debt in the Group balance sheet at 11 April 2015 is analysed as follows:

	2015 11 April £m	2014 12 April £m	2014 27 September £m
Principal outstanding at beginning of period	**2,078**	2,137	2,137
Principal repaid during the period	**(30)**	(28)	(58)
Exchange on translation of dollar loan notes	**22**	(8)	(1)
Principal outstanding at end of period	**2,070**	2,101	2,078
Deferred issue costs	**(8)**	(9)	(9)
Accrued interest	**9**	9	4
Carrying value at end of period	**2,071**	2,101	2,073

Liquidity facility

Under the terms of the securitisation, the Group hold a liquidity facility of £295m provided by two counterparties. As a result of the decrease in credit rating of one of the counterparties, the Group has been obliged to draw that counterparty's portion of the facility. The amount drawn at 11 April 2015 is £147m (12 April 2014 £148m, 27 September 2014 £147m). These funds are charged under the terms of the securitisation and are not available for use in the wider Group.

10. MOVEMENT IN NET DEBT

	2015 28 weeks £m	2014 28 weeks £m	2014 52 weeks £m
Net (decrease)/increase in cash and cash equivalents	**(103)**	163	(85)
Add back cash flows in respect of other components of net debt:			
- Transfers to/(from) other cash deposits	**120**	-	(25)
- Repayment of principal in respect of securitised debt	**30**	28	58
- Drawings under liquidity facility	**-**	(148)	(147)
Decrease/(increase) in net debt arising from cash flows	**47**	43	(199)
Movement in capitalised debt issue costs net of accrued interest	**(6)**	(5)	-
Decrease/(increase) in net debt	**41**	38	(199)
Opening net debt	**(1,958)**	(1,759)	(1,759)
Closing net debt	**(1,917)**	(1,721)	(1,958)

11. PENSIONS

Retirement and death benefits are provided for eligible employees in the United Kingdom, principally by the Mitchells & Butlers Pension Plan (MABPP) and the Mitchells & Butlers Executive Pension Plan (MABEPP). These plans are funded, HMRC approved, occupational pension schemes with defined contribution and defined benefit sections. The defined benefit section of the plans is now closed to future service accrual.

In addition, Mitchells & Butlers plc also provides a workplace pension plan in line with the Workplace Pensions Reform Regulations. This automatically enrols all eligible workers into a Qualifying Workplace Pension Plan.

Measurement of scheme assets and liabilities

Actuarial valuation
The actuarial valuations used for IAS 19 (revised) purposes are based on the results of the actuarial valuation carried out at 31 March 2013 and updated by the schemes' independent qualified actuaries to 11 April 2015. Scheme assets are stated at market value at 11 April 2015 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. IAS 19 (revised) requires that the scheme liabilities are discounted using market yields at the end of the period on high quality corporate bonds.

The principal financial and mortality assumptions used at the balance sheet date have been updated to reflect changes in market conditions in the period and more up to date mortality assumptions, in line with those used in the 2013 actuarial valuation.

	2015 28 weeks	2014 28 weeks	2014 52 weeks
Discount Rate	**3.1%**	4.2%	3.8%
Inflation (RPI)	**3.1%**	3.4%	3.2%
Implied life expectancies from age 65:			
- MABPP male currently 45	**24.3 years**	24.3 years	24.3 years
- MABEPP male currently 45	**27.6 years**	27.6 years	27.6 years

Minimum funding requirements
The results of the 2013 funding valuation showed a funding deficit of £572m, using a more prudent basis to discount the scheme liabilities than is required by IAS 19 (revised) and on 21 May 2014 the Company formally agreed a 10 year recovery plan with the Trustees to close the funding deficit in respect of its pension liabilities. The Group agreed to increase contributions from £40m to £45m per annum, for three years commencing 1 April 2013. From 1 April 2016 contributions then increase each year by the rate of RPI (subject to a minimum increase of 0% and a maximum increase of 5%) for the following seven years. The Group has also agreed to make a further minimum underwritten payment of £40m on terms to be agreed with the Trustees by 30 September 2015. Under IFRIC 14, an additional liability is recognised, such that the overall pension liability at the period end reflects the schedule of contributions in relation to a minimum funding requirement, should this be higher than the actual deficit.

Amounts recognised in respect of pension schemes

The following amounts relating to the Group's defined benefit and defined contribution arrangements have been recognised in the Group income statement and Group statement of comprehensive income:

Group income statement	**2015 28 weeks**	2014 28 weeks	2014 52 weeks
	£m	£m	£m
Operating profit			
Employer contributions (defined contribution plans)	**(4)**	(3)	(7)
Administrative costs (defined benefit plans)	**(1)**	(1)	(2)
Charge to operating profit	**(5)**	(4)	(9)
Finance costs			
Net pensions finance charge on actuarial deficit	**(3)**	(2)	(4)
Additional pensions finance charge due to minimum funding	**(5)**	(3)	(6)
Net pensions finance charge	**(8)**	(5)	(10)
Total charge	**(13)**	(9)	(19)

Group statement of comprehensive income	**2015 28 weeks**	2014 28 weeks	2014 52 weeks
	£m	£m	£m
Return on scheme assets and effects of changes in assumptions	**(66)**	(94)	(119)
Movement in pension liability due to minimum funding	**57**	92	(95)
Remeasurement of pension liability	**(9)**	(2)	(214)

Group balance sheet	**2015** **11 April** **£m**	2014 12 April £m	2014 27 September £m
Fair value of scheme assets	**2,099**	1,780	1,865
Present value of scheme liabilities	**(2,340)**	(1,974)	(2,058)
Actuarial deficit in the schemes	**(241)**	(194)	(193)
Additional liability recognised due to minimum funding	**(179)**	(42)	(232)
Total pension liability	**(420)**	(236)	(425)
Associated deferred tax asset	**84**	47	85

Movements in the total pension liability are analysed as follows:

	2015 **28 weeks** **£m**	2014 28 weeks £m	2014 52 weeks £m
At beginning of period	**(425)**	(248)	(248)
Administration costs	**(1)**	(1)	(2)
Net pensions finance charge	**(8)**	(5)	(10)
Contributions	**23**	20	49
Remeasurement of pension liability	**(9)**	(2)	(214)
At end of period	**(420)**	(236)	(425)

12. FINANCIAL INSTRUMENTS

The fair value of the Group's derivative financial instruments is calculated by discounting the expected future cash flows of each instrument at an appropriate discount rate to a 'mark to market' position and then adjusting this to reflect any non-performance risk associated with the counterparties to the instrument.

IFRS 13 Financial Instruments requires the Group's derivative financial instruments to be disclosed at fair value and categorised in three levels according to the inputs used in the calculation of their fair value:

- Level 1 instruments use quoted prices as the input to fair value calculations;
- Level 2 instruments use inputs, other than quoted prices, that are observable either directly or indirectly;
- Level 3 instruments use inputs that are unobservable.

The fair value of derivative financial liabilities held by the Group at 11 April 2015 are:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 11 April 2015				
Financial assets				
Currency swaps	-	27	-	27
Financial liabilities				
Interest rate swaps	-	(334)	-	(334)
	-	**(307)**	**-**	**(307)**
At 12 April 2014				
Financial liabilities				
Currency swaps	-	(1)	-	(1)
Interest rate swaps	-	(225)	-	(225)
	-	(226)	-	(226)

At 27 September 2014

Financial assets				
Currency swaps	-	5	-	5
Financial liabilities				
Interest rate swaps	-	(241)	-	(241)
	-	(236)	-	(236)

13. 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.

14. RESTATEMENT OF PRIOR PERIOD INFORMATION

Pensions finance charge

Following guidance from the Financial Reporting Council (FRC) the Group now recognises pension finance charge in underlying profit. This guidance was applied in the Annual Report and Accounts for the 52 weeks ended 27 September 2014. There is no impact on the balance sheet or cash flow statement resulting from this change in presentation.

The table below provide a summary of the amounts previously reported, the adjustments made and the restated amounts.

28 weeks ended 12 April 2014

	Previously reported		Impact of presentation change		Restated	
	Before exceptional items and other adjustments £m	Total £m	Before exceptional items and other adjustments £m	Total £m	Before exceptional items £m	Total £m
Operating profit	147	143			147	143
Finance costs	(71)	(71)			(71)	(71)
Finance revenue	1	1			1	1
Net pensions finance charge	-	(5)	(5)	-	(5)	(5)
Profit before tax	77	68	(5)	-	72	68
Tax expense	(17)	(15)	1	-	(16)	(15)
Profit for the period	60	53	(4)	-	56	53

INDEPENDENT REVIEW REPORT TO MITCHELLS & BUTLERS PLC

We have been engaged by the Company to review the condensed set of financial information in the half-yearly financial report for the 28 week period ended 11 April 2015 which comprises the Group condensed income statement, the Group condensed statement of comprehensive income, the Group condensed balance sheet, the Group condensed statement of changes in equity, the Group condensed cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in 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 information 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 information 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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and 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 information in the half-yearly financial report for the 28 weeks ended 11 April 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
13 May 2015