MITCHELLS & BUTLERS PLC

PRELIMINARY RESULTS
(For the year ended 30 September 2006)

FINANCIAL HIGHLIGHTS

	FY2006 £m	FY2005 £m	% growth
Revenue	1,720	1,631	5.5
EBITDA	430	403	6.7
Operating Profit	309	289	6.9
Profit before tax	208	189	10.1
Earnings per share before exceptionals	29.3p	25.4p	15.4
Earnings per share after exceptionals	39.7p	24.9p	59.4
Dividends	12.25p	10.75p	14.0

(1) EBITDA, operating profit and profit before tax are all stated before exceptional items
(2) FY2005 comprised 53 weeks, comparatives have been restated on a 52 weeks basis
(3) These results are prepared under IFRS, 2005 comparatives have been restated accordingly

BUSINESS HIGHLIGHTS

- Sustained sales growth: same outlet like-for-like sales up 4.1% for the year
- Further market share gains: same outlet food sales up 7.3%, drink up 3.2%
- Average weekly sales per managed pub up 6% to £17.5k
- Net margin ahead: external cost increases offset by productivity gains
- Acquisition of 239 pub restaurants provides platform for profitable growth
- Property value estimated at over £5.5bn in August based on independent valuation
- Successful refinancing leading to £486m special dividend

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

"Over the past 12 months, we have extended our leadership of the fast growing, eating-out market; delivered over 15% growth in earnings per share; acquired 239 of the best pub restaurant sites in the UK and returned some £560m to shareholders before ordinary dividends.

Our strategy of offering high quality amenity and good value food and drink is generating sustained sales growth. We have had a good start to the new financial year and we are confident of future growth prospects."

DIVIDENDS

The Directors are recommending a final dividend of 8.6 pence per share taking the total dividend for the year to 12.25 pence, a 14% increase on last year. Subject to approval at the AGM on 1 February 2007, the final dividend will be paid on 5 February to shareholders on the register on 8 December 2006.

A Special Dividend of £1 per share, £486m in total, was paid to shareholders on 25 October in line with the Board's commitment to return funds following the refinancing completed on 15 September 2006. This special dividend takes the total amount returned to shareholders to over £1.1bn since demerger, in addition to ordinary dividends.

CURRENT TRADING

Revenue in the seven weeks to 18 November 2006, has continued to grow strongly with same outlet like-for-like sales 4.5% ahead of last year, 2.9% ahead on an uninvested basis.

7 weeks ended 18 November 2006	Same outlet like-for-like sales growth*	Uninvested like-for-like sales growth*
Residential	5.3%	3.3%
High Street	2.7%	1.9%
Total	4.5%	2.9%

* Excluding the 239 Acquired Sites

Our pubs and pub restaurants in residential areas are driving our growth with same outlet like-for-like sales growth of 5.3%. Our local pubs have performed particularly well reflecting the high amenity standards and value that they offer in their markets. The development of their food and associated drinks offers is ensuring that they are increasingly capturing the growth in casual dining. Our pub restaurants, which also target this market, continue to generate strong growth.

In the High Street segment, same outlet like-for-like sales are 2.7% ahead of last year. Trading in Central London remains buoyant and our town pubs outside London are also well ahead, in both cases with particularly good growth in food. The later evening market remains challenging for our circuit bars and venues with the additional competition from longer hours in local pubs.

PROGRESS ON PUBS ACQUIRED FROM WHITBREAD PLC ("THE ACQUIRED SITES")

Our conversion of the Acquired Sites is progressing well. We already have 25 pubs reopened and operating under our brands and expect to have 50 reopened by Christmas and around 100 by Easter. The ongoing conversion of the Acquired Sites and the associated closure periods will inevitably hold back their contribution this year, particularly in the first half. However, although they have only been open for a very short time, the initial sales uplifts on those open for more than a week are most encouraging.

During the short period prior to conversion, our aim is to maximise the profit contribution from the sites operated under franchise. In the first 16 weeks of ownership, like-for-like sales for these sites have declined at a rate slightly faster than the pre-acquisition trend. Our focus has been on the removal of unprofitable discounted sales and the implementation of our productivity processes to deliver an improvement in operating margin. Overall, progress to date has been in line with our expectations.

PREPARATION FOR SMOKING BAN

In Scotland (which represents 4% of the estate), our experience so far suggests that large pubs, with the capability to serve high volumes of good food at attractive prices, will benefit from a ban on smoking. However, smaller pubs, with limited food capacity and a bias towards beer sales and machine income are likely to suffer. In the first seven weeks of the year, food sales have continued to grow strongly with like for like sales ahead by 7%, whilst drinks sales have declined by 2%. Overall like for like sales are ahead by 1.1%. Sales growth has slowed as the Autumn has drawn in and we continue to believe that a full winter's trading is required before taking a definitive view on the ban's effect.

With some 80% of our estate across England and Wales having external space, we continue to develop our gardens and outside sheltered areas to minimise any future effect on drinks trade. Our Scottish experience also leads us to continue to focus on widening the social appeal of our pubs by developing their reputation for serving good food at attractive prices. This will leave us well placed to take advantage of the opportunity that the ban offers to attract new, casual dining customers, who currently do not use pubs because of tobacco smoke. Our best estimate remains unchanged, that the year one impact will be to reduce the trend rate of sales growth, with a strong acceleration thereafter.

We have already moved over 200 of our pub restaurants in England and Wales to non-smoking, with a less than 1% impact on their rate of sales growth compared to those that still allow smoking, even though customers can still go to other pubs where smoking is currently permitted.

OUTLOOK

Overall trading conditions in the casual dining market remain strong, in line with the established long-term trends. The Mitchells & Butlers estate and operating formats have been repositioned over the last decade to capture a leading share of that growth.

Our integrated food and drinks offers, in an informal pub environment, are key to both the customer appeal of our formats and our high operating margins. While the traditional on-trade beer market continues to decline, the range and value of our drinks offers alongside high quality casual dining is enabling us to generate significant market share gains.

Consumer demand has clearly been better than expectations during 2006, although it is difficult to be sure if it will continue at this rate, given the levels of household debt. We continue to expect regulatory and energy cost increases of around £14m in the current year.

The potential application of Real Estate Investment Trusts (REITs) as tax efficient structures for property assets from January 2007 is being closely examined. Capturing freehold property appreciation is an integral part of Mitchells & Butlers' strategy due to the direct relationship between the operating cashflows of a pub and its property value. This is currently ensured through common ownership of the pub asset and the control of its operation. The Board is investigating the challenges of realising the potential tax advantages of a REIT, whilst preserving sufficient incentive for the operating company. It is important that it should continue to deliver and gain from the long term capital appreciation arising from the increasing cashflows generated by its operating and investment strategy.

In summary, Mitchells & Butlers has strengthened its leadership position in the rapidly growing pub food market and continues to gain significant drinks market share. With further improvements in productivity and cost efficiency, together with high returns from investment in the estate and the conversion of the Acquired Sites, the Board remains confident in the future growth prospects of the Company.

There will be a presentation for analysts and investors at 9.30am at the JPMorgan Cazenove auditorium, 20 Moorgate, EC2. A live webcast of the presentation will be available 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 of over three times the industry average.
- Same outlet like-for-like sales include the sales performance for the comparable period in the prior year of all managed pubs that were trading for the two periods being compared. 94% 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. 84% of the estate is included in this measure.

CHIEF EXECUTIVE'S REVIEW OF THE MARKET & STRATEGY

In what has been an active year, Mitchells & Butlers has delivered another strong trading performance with like-for-like sales growth of 4.1%. Our focus on amenity, value and service, together with tight cost control has enabled us to increase net operating margins and generate operating profit of £309m before exceptional items. Earnings per share before exceptional items of 29.3p for the year are 15.4% ahead of last year, reflecting the strong trading performance and the reduction in shares in issue following share buybacks in FY2005 and FY2006.

THE MARKET

The continued success of our sales strategy has been against a mixed background in the market with much more positive growth rates evident in food, wine, soft drinks and cider compared to beer and spirits. These trends are being driven by changing lifestyles and the actions of competitors and supermarkets.

Pub usage is becoming more popular but less regular

Going to the pub remains one of the most popular pastimes in the UK. The proportion of the adult population now regularly visiting pubs has risen to 72%[1] as wider social usage has been driven by the growth of eating-out in pubs. However, the traditional pastime of visiting the local pub several times a week purely for a drink continues to decline. This change in pub usage is a consequence of social and lifestyle changes; the increase in the female working population, the growth in the number of single households and the increasing affluence and better health of a growing retired population.

Eating-out is increasingly the reason for visiting

The eating-out market has been growing at around 4%[2] per annum in real terms over the last 20 years. Within this, pubs are capturing a disproportionate share of the growth as their informality and value for money are appealing for more frequent and less formal occasions. 44% of the adult population visit a pub to eat at least once a month[3]. Mitchells & Butlers has capitalised on this trend by repositioning its estate towards large pubs with the scale to serve high volumes of food at very attractive prices. The average price of a main meal in a Mitchells & Butlers pub is around £6 and food now accounts for some 35% of the Group's retail sales.

The customer appeal of pub food is expanding

Traditionally, eating-out in pubs and particularly pub restaurants has been concentrated in suburban areas amongst predominantly middle income customers. This segment of the market is continuing to show good growth, however as the quality, range and choice of pub food improves, there is also widening acceptance of pubs for casual dining in commuter belts and affluent urban areas. In response to these trends, Mitchells & Butlers is continually developing and evolving its operating formats to appeal to customer demand. In the more affluent areas, we are continuing to convert pubs to our Premium Country Dining format which, on average, achieves sales of £27k per week.

Even more significant, is the growth in spend on eating-out in the more densely populated housing estates where Sizzling Pub Co and Pub Carvery both offer extremely good value

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[1] TNS Drinks Market Survey & Alcovision June 2006
[2] Office for National Statistics
[3] Mintel Eating-Out review - UK, July 2005

for money with steak and chips or a full carvery meal at £3.99. As a result, our Pub Carveries are now selling over 2,500 meals each per week on average, 12% ahead of last year. Similarly in the mid market income brackets, Harvester, Toby and Ember Inns have all continued to perform well.

Strong growth in wine and soft drinks

The growth in food sales is also helping to generate strong growth in drinks, especially wine. Approximately 60% of Mitchells & Butlers' sales are now food or food driven ancillary drinks. Volumes of wine sold across the industry have increased by 1%[4] during the year whereas Mitchells & Butlers achieved wine volumes 6% higher than last year. We have also gained further market share in soft drinks with volume growth of 5% in a market where overall volumes have been flat.[5]

Continued decline in on-trade beer exacerbated by supermarket promotions

In contrast to the strong growth in food sales, the on-trade beer market continues to decline. This structural decline is being exacerbated by the widening price gap between the on-trade and supermarkets (the off-trade). This was particularly evident during the World Cup this summer when supermarkets again used beer promotions as a driver of sales of related products such as barbeques. During this period, the gap between the average price of a pint of premium lager (e.g. Stella Artois) on promotion in the supermarket and the average price in a pub reached over £1.50.

The average price across the on-trade continues to increase as smaller operators look to raise prices to cover their growing cost base. In contrast, Mitchells & Butlers has continued to follow a strategy of pricing restraint relative to the rest of the industry. For example, the retail price of standard lager (e.g. Carling, our largest selling beer), is around 18p lower than other managed operators and 35p below tenanted pubs. This strategy has enabled us to make further significant market share gains in an on-trade market where volumes are 4% lower for the year as a whole and over 6% down in the quarter to September.

[4] AC Neilsen
[5] AC Neilsen

MITCHELLS & BUTLERS STRATEGY FOR GROWTH

Mitchells & Butlers has consistently pursued a customer driven pub retailing strategy and the results this year are a further testament to its success. Specifically, we aim to:

Lead the value for money casual dining market

Same outlet like-for-like food sales increased by 7.3% during the year through our emphasis on amenity, service and value. In July, we successfully acquired 239 pub restaurant sites from Whitbread PLC (the "Acquired Sites") which we plan to convert to our brands and formats over the next 18 months. This acquisition has accelerated the repositioning of the Mitchells & Butlers pub estate towards food. Including these pubs, we now serve 96 million meals a year which makes us the largest on-trade caterer in the UK.

Generate significant drinks market share gains

Same outlet like-for-like drinks sales increased by 3.2% in the year against the background of a declining beer market. Our focus remains on extending the range of drinks we offer and improving its quality and presentation through appropriate glassware and investment in glycol cooling systems. We now stock on average six to seven draught lagers in our pubs compared to two to three, four years ago. Some of our more premium formats now offer over 10. In total, across the Company we now stock over 40 different draught products.

Widen the inclusive appeal of the pub through high levels of amenity and service

We are constantly developing and evolving our operating formats to ensure they remain relevant to customers, particularly those segments of the market where pub usage is growing strongly; young professionals, females, families and the over 50s. During the year we invested £182m of capital expenditure maintaining and upgrading our pubs. As we continue with this strategy, the amenity gap between our pubs and the majority of the pubs in the UK is widening significantly as investment in the industry is at its lowest point for over a decade.

Deliver a profitable, integrated food and drinks offer

Whilst food is increasingly the reason that customers visit a Mitchells & Butlers pub, we are able to combine food sales with higher margin drinks sales to maximise overall profitability and generate high net operating margins of 18% of sales. All of our format development ensures that an appealing and vibrant bar remains at the heart of the pub so that we cater for both eating and drinking social occasions.

Extract volume driven efficiencies

Our strategy of offering quality, range and value is delivering strong volume growth. Extracting maximum benefit from growing volumes across the business has been critical to our success in offsetting the additional £24m of regulatory and energy costs that we have incurred this year. At the Corporate level, increased sales volumes improve our purchasing power. We have been able to maintain our gross margins again this year, offsetting the negative mix impact of the faster growth of food and wine. Economies of scale also arise at the pub level where the size of our individual businesses means that we employ on average over 20 people per pub allowing us to service additional volumes with low incremental labour cost. Our principal measure of productivity, contribution per staff hour (sales less wages divided by hours worked), increased by a further 4% this year.

Extend the skill base of operational excellence throughout the estate

The skills and experience of our operating teams, from bar and waiting staff to Licensed House Manager and Operations Director, provide a critical competitive advantage for us. It is through this experience that we have been able to establish industry leading practices in areas such as staff scheduling. These have enabled us to realise significant productivity savings and maintain our pub employment cost ratio at 24% of sales, despite substantial real increases in the National Minimum Wage.

Proactively manage the estate to maximise value

Mitchells & Butlers' strategy is to maximise the value of each individual pub that we own by applying the trading format that is most appropriate to the local market. During the year, we completed 65 conversions and 69 growth projects to change the customer offer or increase the trading area. We are generating a pre-tax incremental return of over 20% on our expansionary investment in the estate over the last two years.

The Acquired Sites provide us with a pipeline for conversion to our brands and formats over the next 18 months. We anticipate investing £85m in these sites to uplift their performance to that of our own pub restaurants, achieving a 30% uplift in average sales per week and an uplift of over 50% in EBITDA.

We will continue to look for and evaluate opportunities to acquire individual pubs, or packages of pubs, where we believe we can add value through the application of our operating formats and the benefits of our corporate purchasing scale.

In circumstances where the value of an individual pub, or group of pubs, is higher to a third party than its trading value, we will crystallise that value through disposal. We achieved £88m of disposal proceeds in the year, taking advantage of the buoyancy in the property market, particularly for smaller freehold pubs. In October, we also disposed of a package of 102 smaller community pubs to Trust Inns Ltd for £101m as we continue to reposition the estate towards large pubs with the capacity to serve high food volumes. In taking advantage of opportunities for acquisitions and disposals in this way, we are able to recycle capital into assets with significantly higher growth prospects.

Grow profits and capture asset appreciation to benefit shareholders

Pubs are generally valued by reference to the cashflows that they generate. As a result, the success of our strategy to grow sales and profits also enhances the value of our property, of which over 90% is now freehold or long leasehold. During the year, we instructed Colliers CRE to conduct a formal portfolio valuation of the ongoing securitised pub estate (1,704 sites), for the purposes of a refinancing. They valued that estate at £4.8bn, equivalent to £2.8m per pub, which is some 40% higher than at the time of the last valuation in 2003. In total, we estimated that the Group's property was worth in excess of £5.5bn at the end of August. In view of Mitchells & Butlers' accounting policies under IFRS, the results of these valuations have not been recognised in the financial statements of the Group.

Through additional borrowing against the higher asset values, we are able to release surplus cash to invest in the business or to return to shareholders. During the year, in addition to organic investment, we purchased the Acquired Sites and we have returned some £560m to shareholders including the Special Dividend of £1 per share in October 2006, shortly after the year end. Generating and capturing the appreciation in property values for the benefit of shareholders remains an integral part of Mitchells & Butlers' strategy.

FINANCIAL REVIEW

Total revenue for the year was £1,720m up 5.5% on last year. Strong like-for-like sales growth continued in our business in both Residential and High Street areas, reflecting further significant market share gains.

Like-for-like sales	Same Outlet	Uninvested
Residential	5.1%	3.1%
High Street	2.3%	1.8%
Total	4.1%	2.6%

With the success of our ongoing sales and marketing activities, same outlet food and drink sales were up 7.3% and 3.2% respectively, with average retail prices up 2%, as a consequence of price increases on some standard products, the introduction of more premium products and expansion of some of our more up-market pub offers such as Premium Country Dining.

The overall cost of goods was held flat on last year reflecting the purchasing benefit of our volume strategy. Reductions in the average price of contracts renegotiated this year offset other contractual increases, duty and inflation. Overall gross margins were in line with last year despite the further shift in sales mix to lower margin categories of food and wine.

Good profit conversion of incremental sales enabled us to offset £24m of additional regulatory and energy costs. In particular, further employee productivity benefits were achieved allowing us to maintain our pub employment cost ratio at 24% of sales despite the increase in the National Minimum Wage.

As a result the net retail operating margin was 0.3% points ahead of last year.

Excluding the 239 Acquired Sites, we invested £182m in the year. £109m was invested to maintain the high levels of amenity in the pubs and in the continuing development and evolution of our brands and formats. The balance of £73m was spent on expansionary projects. During the year six new pubs opened, two with adjoining lodges and 65 existing pubs were converted to one of our brands or formats to uplift their sales and profits. A further two Innkeepers Lodges were developed on land adjacent to existing pubs. Overall, we are achieving an incremental, pre-tax return of over 20% on the expansionary projects of the last two years.

Including the Acquired Sites and disposal proceeds of £88m, net capital investment during the year was £583m.

As a result of our progress, operating profit before exceptional items was £309m, up 6.9% on last year.

Pubs & Bars

	FY06	
Revenue	£958m	+2.0%
Operating profit*	£179m	+2.3%
Same outlet like-for-like sales		+3.5%
Uninvested like-for-like sales		+2.4%

* Before exceptional items

Revenue in the Pubs & Bars division was up 2.0%. At the end of the year there were 1,193 managed pubs in the Division following the disposal of 55 pubs, 12 transfers to business franchise and seven pubs transferred to the Restaurants division. There were on average 1,238 pubs trading during the year.

Good growth in the Division's drinks sales, as a result of the widening gap between our amenity, product range and value for money and that of the competition, has led to market share gains, with a particularly strong performance from those businesses in residential areas. This increase is against the background of on-going decline in the on-trade beer market.

Food sales were up 4.5%, driven by growth in our residential pubs, notably, Sizzling Pub Co and Metropolitan Professionals, as well as by our Town Pubs and the central London estate.

Machines sales continued to decline, reflecting the delay in the review of stakes and prizes which was concluded shortly before the year end, raising the maximum stake to 50p and the maximum prize to £35 with effect from 27 October 2006.

Conditions for the 6% of our business in the later-night bars and venues segment remain challenging due to the additional competition from longer opening hours following licensing de-regulation.

A total of 52 conversions were completed, predominantly to residential brands and formats such as Sizzling Pub Co, Ember Inns and the Metropolitan Professionals format.

As a result of tight cost control, particularly on labour, Pubs & Bars profits were up 2.3% in the year. Despite continuing pressure on employment and energy costs, net margin was broadly maintained at 18.7%.

Restaurants

	FY06	
Revenue	£762m	+11.4%
Operating profit*	£130m	+15.0%
Same outlet like-for-like sales**		+5.0%
Uninvested like-for-like sales**		+2.9%

* Before exceptional items
** Excluding Acquired Sites

Total sales in the Restaurants division were up 11.4%. At the end of the year there were 832 managed pubs in the Division following the addition of the Acquired Sites, six new individual pubs, the disposal of six pubs, one transfer to business franchise and seven pubs transferred from Pub & Bars. Excluding the Acquired Sites,there were on average 585 pubs trading during the year and total revenue grew by 6.4%, with drinks sales up 3.9% and food up 8.9%. Same outlet like-for-like sales grew by 5.0%.

The Division produced strong results during the year, driven by the ongoing evolution of our brands and formats, new menu development, extended and improved drinks ranges and better drinks presentation and quality. By increasing the variety of dishes and extending the range of tastes being catered for, we have been improving choice and attracting a wider customer base. Our pub restaurants now serve close to 2,000 meals each on average per week, turning their covers 16 times. As anticipated, sales in the Division were adversely affected during the World Cup in June. Afterwards however, trading rebounded strongly with like-for-like sales in the last 12 weeks of the year up 6.4%.

Revenue for the Acquired Sites for the nine weeks of ownership included in the year was £34m, and operating profit was £6m.

The Restaurants division's focus on high levels of volume growth and maximizing the drop-through to profit of incremental sales, resulted in operating profit before exceptional items of £130m, up 15% on last year, including the contribution from the Acquired Sites. Operating margin was up 0.6 percentage points to 17.1%. This was achieved through efficiency gains and substantial improvements in employee productivity driven by a continual focus on the training, optimal deployment and service quality delivered by our staff, so as to both grow sales volumes and maximise the profitability of the incremental volume sold.

Standard Commercial Property Developments (SCPD)

SCPD aims to maximise the value of the Group's surplus properties which are suitable for development. Due to the nature of this activity and the small number of developments ongoing at any one time, revenue and profit can fluctuate from period to period. SCPD did not contribute any revenue or profit to the Group results in the year, compared to £8m and £1m respectively last year.

Accounting policies

With effect from 2 October 2005, Mitchells & Butlers plc has been required to prepare its group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the European Union (EU). These are the Group's first Preliminary Financial Statements to be prepared on this basis. Details of the accounting policies adopted are set out in Note 1 to the Financial Statements and an explanation of the transition to IFRS is included in Note 34. A reconciliation of UK GAAP to IFRS for the 28 weeks ended 9 April 2005 and 53 weeks ended 1 October 2005 was made publicly available on 7 December 2005 and can be accessed within the investors section of the Group's website at www.mbplc.com/IFRS.

All comparatives have been restated to reflect IFRS.

Exceptional items

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

Exceptional profits of £23m, (£20m after tax) arose during the year in connection with the sale of individual pubs. Costs of £7m (£6m after tax) were incurred in defending the potential offer for the Group from a consortium led by R20 and in the refinancing of some of the Group's securitised bonds. In addition, an exceptional interest cost of £4m, (£3m after tax), was recognised reflecting the write off of the original issue costs on the refinanced bonds. An exceptional tax credit of £40m arose during the year following the settlement of pre demerger tax issues with the Inland Revenue. Of this amount, £32m has been released from prior year provisions and £8m is expected to be recovered in cash in FY2007.

Finance Costs and Revenue

Finance costs were £118m before exceptional items during the year, £4m higher than last year as a result of additional borrowing for part of the year following the acquisition of the Acquired Sites, partially offset by bond repayments during the year.

Finance revenue of £9m was achieved on the Group's cash balances, £2m lower than last year reflecting the lower average cash balances following the share buy backs this year and last year.

Net finance income from pensions was £8m, £5m higher than last year due to the expected return on the increased level of assets in the scheme compared to the charge for the liabilities.

The Group's blended net interest rate for the year was a little under 6% including the impact of the net finance income from pensions.

Taxation

The tax charge for the year was £64m before exceptional items. This is an effective rate of 31% of profit before tax, consistent with last year.

Earnings per share

Earnings per share were 29.3p before exceptional items, 15.4% ahead of last year. In addition to the growth in operating profit, earnings per share have benefited from the share buyback programme during the current and previous financial years.

Dividends and returns to shareholders

The Board is recommending a final dividend for 2006 of 8.6 pence per share. Together with the interim dividend of 3.65p pence paid on 30 June 2006, this gives a total dividend for the year of 12.25 pence, up 14% on last year. This increase reflects our commitment to a progressive policy for dividend growth consistent with the medium term growth prospects for the Company. Subject to approval at the AGM, on 1 February 2007, the final dividend will be paid on 5 February 2007 to shareholders on the register on 8 December 2006.

During the year, the Company repurchased 18m shares for a total consideration of £76m. Of these shares, 13.5m were cancelled and the balance was placed in employee share trusts.

Cash flow and net debt

The Group's operations are highly cash generative. Cash flow from operations was £430m before exceptional items but after additional pension contributions of £20m. Net capital expenditure was £583m comprising £489m of the acquisition cost of the Acquired Sites, £73m of expansionary capital investment, £109m of maintenance capital, less disposal proceeds of £88m.

Net interest paid of £107m was slightly ahead of last year reflecting increased debt in the business for part of the year following the acquisition of the Acquired Sites. Tax paid was £48m, broadly in line with last year. £56m was paid in respect of the final dividend for FY2005 and the interim dividend for FY2006. In addition, shares totalling £76m were repurchased and £12m was received from the exercise of share options. As a result there was a net cash outflow of £428m before exceptional items (£14m in total), compared to a cash flow before exceptional items of £14m last year.

Net debt at the year end was £2,067m. This was before the payment of a special dividend to shareholders of £1 per share (£486m in total), the disposal of a package of 102 pubs for £101m and the payment of the additional pension contribution of £40m for FY2007, all of which occurred shortly after the year end.

Pensions

On an IAS 19 basis, the Group's pensions schemes showed a deficit of £99m, (£67m after tax) at 30 September 2006 compared with £151m (£101m after tax) at 1 October 2005. The reduction in the deficit reflects the benefit of £20m of additional pension contributions paid in the year and improved investment returns, partially offset by an assumption of higher future inflation.

Following the completion of the refinancing and return of funds, the Company has agreed with the Pensions Trustees that further contributions of £30m in FY 2007 and £20m in FY 2008 will be made, in addition to the £10m already committed for FY 2007. A full actuarial valuation of the pension schemes is planned to take place with the normal triennial cycle in 2007.

GROUP INCOME STATEMENT
For the 52 weeks ended 30 September 2006

	2006 52 weeks		2005 53 weeks	
	Before exceptional items £m	**Total £m**	Before exceptional items £m	Total £m
Revenue (Note 2)	**1,720**	**1,720**	1,662	1,662
Operating costs before depreciation and amortisation	**(1,290)**	**(1,297)**	(1,251)	(1,255)
Profit arising on property-related items (Note 3)	**-**	**23**	-	1
EBITDA*	**430**	**446**	411	408
Depreciation and amortisation	**(121)**	**(121)**	(116)	(116)
Operating profit (Note 2)	**309**	**325**	295	292
Finance costs (Note 4)	**(118)**	**(122)**	(116)	(116)
Finance revenue (Note 4)	**9**	**9**	11	11
Net finance income from pensions (Note 13)	**8**	**8**	3	3
Profit before tax	**208**	**220**	193	190
Tax expense (Notes 3 and 5)	**(64)**	**(25)**	(60)	(60)
Profit for the financial period attributable to equity holders of the parent	**144**	**195**	133	130
Earnings per ordinary share (Note 7)				
Basic	**29.3p**	39.7p	26.0p	25.4p
Diluted	**28.6p**	38.8p	25.7p	25.1p

* Earnings before interest, tax, depreciation and amortisation.

None of the above activities relate to discontinued operations.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 52 weeks ended 30 September 2006

	2006 52 weeks £m	2005 53 weeks £m
Losses on cash flow hedges taken to equity	**(22)**	(28)
Actuarial gains/(losses) on defined benefit pension schemes (Note 13)	**27**	(7)
Tax on items recognised directly in equity	**11**	15
Tax (charge)/credit relating to movement on unrealised gains due to revaluation	**(4)**	20
Income recognised directly in equity	**12**	-
Transfers to the income statement:		
On cash flow hedges	**16**	3
Tax on items transferred from equity	**(5)**	(1)
Net income recognised directly in equity	**23**	2
Profit for the financial period	**195**	130
Total recognised income and expense for the financial period attributable to equity holders of the parent	**218**	132

GROUP BALANCE SHEET
30 September 2006

	2006 £m	2005 £m
ASSETS		
Goodwill and other intangible assets	**22**	26
Property, plant and equipment	**3,867**	3,447
Lease premiums	**13**	16
Deferred tax asset	**68**	81
Total non current assets	**3,970**	3,570
Inventories	**42**	39
Trade and other receivables	**81**	77
Other financial assets	**-**	1
Cash and cash equivalents	**375**	199
Total current assets	**498**	316
Non current assets held for sale and disposal group	**88**	9
Total assets	**4,556**	3,895
LIABILITIES		
Borrowings	**(41)**	(39)
Derivative financial instruments	**(7)**	(6)
Trade and other payables	**(251)**	(220)
Current tax liabilities	**(22)**	(60)
Total current liabilities	**(321)**	(325)
Borrowings	**(2,375)**	(1,773)
Derivative financial instruments	**(55)**	(42)
Pension liabilities (Note 13)	**(99)**	(151)
Deferred tax liabilities	**(418)**	(417)
Provisions	**(3)**	(4)
Total non current liabilities	**(2,950)**	(2,387)
Total liabilities	**(3,271)**	(2,712)
Net assets attributable to equity holders of the parent (Note 8)	**1,285**	1,183
EQUITY		
Called up share capital	**34**	35
Share premium account	**14**	14
Capital redemption reserve	**3**	2
Own shares held	**(12)**	(12)
Hedging reserve	**(30)**	(24)
Translation reserve	**6**	6
Retained earnings	**1,270**	1,162
Total equity	**1,285**	1,183

GROUP CASH FLOW STATEMENT
For the 52 weeks ended 30 September 2006

	2006 52 weeks £m	2005 53 weeks £m
Cash flow from operations (Note 9)	**430**	400
Interest paid	**(115)**	(113)
Interest received	**8**	11
Tax paid	**(48)**	(43)
Net cash from operating activities	**275**	255
Investing activities		
Purchases of property, plant and equipment	**(179)**	(165)
Acquisition of Whitbread pub restaurant sites	**(489)**	-
Purchases of intangibles (computer software)	**(3)**	(2)
Proceeds from sale of property, plant and equipment	**88**	57
Proceeds from cash deposits with a maturity of greater than three months	**1**	19
Defence costs	**(4)**	-
Net cash used in investing activities	**(586)**	(91)
Financing activities		
Issue of ordinary share capital	**-**	2
Purchase of own shares	**(76)**	(101)
Proceeds on release of own shares held	**12**	14
Repayment of principal in respect of securitised debt	**(460)**	(35)
Proceeds from issue of securitised debt	**1,078**	-
Expenditure associated with refinancing	**(10)**	-
Repayment of principal in respect of other loans	**(1)**	-
Dividends paid	**(56)**	(50)
Net cash used in financing activities	**487**	(170)
Net increase/(decrease) in cash and cash equivalents (Note 12)	**176**	(6)
Cash and cash equivalents at the beginning of the financial period	**199**	205
Cash and cash equivalents at the end of the financial period	**375**	199

1. **GENERAL INFORMATION**

With effect from 2 October 2005, Mitchells & Butlers plc ('the Group') is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the Companies Act 1985. As a result, the information contained within this release has been prepared in accordance with IFRS.

The Group has restated its results for the 53 weeks ended 1 October 2005 from accounting principles generally accepted in the UK (UK GAAP) to comply with IFRS and these, together with the accounting policies applied and an opening IFRS balance sheet at 26 September 2004, are available from the Company's website, www.mbplc.com/IFRS.

The preliminary financial statements include the results of Mitchells & Butlers plc and all its subsidiaries for the 52 week period ended 30 September 2006. The comparative period is for the 53 week period ended 1 October 2005. The respective balance sheets have been drawn up to 30 September 2006 and 1 October 2005.

Exchange rates

The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the financial period of £1 = €1.46 (2005 £1 = €1.45), where this is a reasonable approximation to the rate at the dates of the transactions. Euro and US denominated assets and liabilities have been translated at the relevant rate of exchange at the balance sheet date of £1 = €1.47 (2005 £1 = €1.47) and £1 = $1.87 (2005 £1 = $1.76) respectively.

2. **SEGMENTAL ANALYSIS**

The Group has two main retail operating segments: Pubs & Bars, focusing primarily on drink and entertainment-led sites, and Restaurants, focusing on food and accommodation-led sites. The other Group activity is property development which is undertaken by Standard Commercial Property Developments ('SCPD'). There are no inter-segment sales.

	2006 52 weeks					
	Pubs & Bars £m	**Restaurants £m**	**Retail Total £m**	**SCPD £m**	**Unallocated £m**	**Total £m**
Revenue						
Sales to third parties	**958**	**762**	**1,720**	**-**	**-**	**1,720**
Operating profit						
Operating profit before exceptional items	**179**	**130**	**309**	**-**	**-**	**309**
Exceptional items	**23**	**-**	**23**	**-**	**(7)**	**16**
Operating profit after exceptional items	**202**	**130**	**332**	**-**	**(7)**	**325**
Net finance costs						**(105)**
Tax expense						**(25)**
Profit for the financial period						**195**

	2005 53 weeks					
	Pubs & Bars £m	Restaurants £m	Retail Total £m	SCPD £m	Unallocated £m	Total £m
Revenue						
Sales to third parties	957	697	1,654	8	-	1,662
Operating profit						
Operating profit before exceptional items	179	115	294	1	-	295
Exceptional items	(2)	(1)	(3)	-	-	(3)
Operating profit after exceptional items	177	114	291	1	-	292
Net finance costs						(102)
Tax expense						(60)
Profit for the financial period						130

3. EXCEPTIONAL ITEMS

	Notes	2006 52 weeks £m	2005 53 weeks £m
Operating exceptional items			
Defence costs	a	**(4)**	-
Licensing costs	b	**-**	(4)
Refinancing costs	c	**(3)**	-
		(7)	(4)
Profits on disposal of properties		**41**	1
Losses on disposal of properties		**(14)**	-
Fair value adjustments on classification of non-current assets held for sale	d	**(4)**	-
Profit arising on property-related items		**23**	1
Total operating exceptional items		**16**	(3)
Exceptional finance costs	c	**(4)**	-
Total exceptional items before tax		**12**	(3)
Tax charge relating to above items		**(1)**	-
Exceptional tax released in respect of prior years	e	**40**	-
		39	-
Total exceptional items after tax		**51**	(3)

A Costs associated with evaluation of the R20 approach to acquire the share capital of Mitchells & Butlers plc and its subsidiaries.

B Licensing costs were those incurred in relation to obtaining new licences for the Group's pubs and pub restaurants as required by the Licensing Act 2003.

C Refinancing costs consist of operating expenses incurred in relation to the refinancing of the Group's securitised debt (further details are given in Note 11). The refinancing also gave rise to accelerated amortisation of capitalised transaction costs. This related to secured loan notes, which were repaid on the further securitisation. The amortisation has been charged to finance costs.

D Fair value adjustments on classification of non-current assets held for sale represent adjustments to the carrying value of property, plant and equipment, prior to transferring these to assets held for sale. This adjustment is made where the expected net sale proceeds are less than the book value.

E Represents the release of provisions relating to tax matters which have been settled principally relating to disposals and qualifying capital expenditure.

None of the above exceptional items relate to discontinued operations, as defined by IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

4. FINANCE COSTS AND REVENUE

	2006 52 weeks £m	2005 53 weeks £m
Finance costs		
Securitised and other debt*		
- before exceptional charge	**(118)**	(116)
- exceptional charge (Note 3)	**(4)**	-
Finance revenue		
Interest receivable	**9**	11
Interest on net debt	**(113)**	(105)
Net finance income from pensions (Note 13)	**8**	3

* Includes £4m of finance costs in respect of a term loan facility repaid during the year.

5. TAX EXPENSE

	2006 52 weeks £m	2005 53 weeks £m
Tax charged in the income statement		
Current tax expense:		
UK corporation tax	**49**	46
Adjustments in respect of prior years	**(33)**	(2)
Total current tax	**16**	44
Deferred tax:		
Origination and reversal of temporary differences	**18**	16
Adjustments in respect of prior years	**(9)**	-
Total deferred tax	**9**	16
Total tax charged in the income statement	**25**	60
Tax on items recognised directly in equity		
Deferred tax:		
Unrealised gains due to revaluation	**(4)**	20
Actuarial (gains)/losses on pension schemes	**(7)**	2
Share-based payments	**14**	4
Derivative financial instruments	**(1)**	8
Total tax credit on items recognised directly in equity	**2**	34

6. **DIVIDENDS**

	2006 52 weeks £m	2005 53 weeks £m
Amounts paid and recognised in equity		
In respect of the 52 weeks ended 25 September 2004		
- Final dividend of 6.65p per share	**-**	34
In respect of the 53 weeks ended 1 October 2005		
- Interim dividend of 3.20p per share	**-**	16
- Final dividend of 7.55p per share	**38**	-
In respect of the 52 weeks ended 30 September 2006		
- Interim dividend of 3.65p per share	**18**	-
	56	50
Proposed final dividend of 8.60p (2005 7.55p) per share	**35**	38

The proposed final dividend for the 52 weeks ended 30 September 2006 was approved by the Board on 28 November 2006. This did not qualify for recognition in the financial statements at 30 September 2006 as it had not been approved by the shareholders at that date.

A special interim dividend for the 52 weeks ending 29 September 2007 of £1 per ordinary share was paid to shareholders on 25 October 2006 at a total cost of £486m. In connection with the special dividend, a share consolidation was approved by shareholders at an Extraordinary General Meeting held on 17 October 2006 and then implemented on 18 October 2006. The share consolidation resulted in the issue of 34 new ordinary shares of 8 13/24p each for every 41 existing ordinary shares.

7. **EARNINGS PER SHARE**

Basic earnings per share (EPS) has been calculated by dividing the profit for the financial period by the weighted average number of ordinary shares in issue during the period of 491m (2005 511m), 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 dilutive potential ordinary shares. The resulting weighted average number of ordinary shares is 503m (2005 518m).

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
52 weeks ended 30 September 2006:			
Profit for the period	195	39.7p	38.8p
Exceptional items, net of tax (Note 3)	(51)	(10.4)p	(10.2)p
Profit before exceptional items	144	29.3p	28.6p
53 weeks ended 1 October 2005:			
Profit for the period	130	25.4p	25.1p
Exceptional items, net of tax (Note 3)	3	0.6p	0.6p
Profit before exceptional items	133	26.0p	25.7p

8. **NET ASSETS**

	2006 52 weeks					
	Pubs & Bars £m	**Restaurants £m**	**Retail Total £m**	**SCPD £m**	**Unallocated £m**	**Total £m**
Net assets						
Assets	**2,179**	**1,914**	**4,093**	**19**	**-**	**4,112**
Liabilities	**(139)**	**(106)**	**(245)**	**(1)**	**-**	**(246)**
Segmental net assets	**2,040**	**1,808**	**3,848**	**18**	**-**	**3,866**
Net debt					**(2,067)**	**(2,067)**
Other unallocated liabilities*					**(514)**	**(514)**
					(2,581)	**1,285**
Other						
Capital expenditure	**92**	**595**	**687**	**-**	**-**	**687**
Depreciation and amortisation	**69**	**52**	**121**	**-**	**-**	**121**

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

	2005 53 weeks					
	Pubs & Bars £m	Restaurants £m	Retail Total £m	SCPD £m	Unallocated £m	Total £m
Net assets *						
Assets	2,103	1,493	3,596	18	-	3,614
Liabilities	(132)	(91)	(223)	(1)	-	(224)
Segmental net assets	1,971	1,402	3,373	17	-	3,390
Net debt					(1,625)	(1,625)
Other unallocated liabilities**					(582)	(582)
					(2,207)	1,183
Other						
Capital expenditure	80	89	169	-	-	169
Depreciation and amortisation	66	50	116	-	-	116

* The segmental net assets have been revised from those previously reported under UK GAAP as part of the Group's transition to IFRS, reflecting adjustments to property, plant and equipment, leases and holiday pay.

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

9. CASH FLOW FROM OPERATIONS

	2006 52 weeks £m	2005 53 weeks £m
Operating profit	**325**	292
Less: operating exceptional items	**(16)**	3
Operating profit before exceptional items	**309**	295
Add back:		
Depreciation of property, plant and equipment	**114**	110
Amortisation of intangibles (computer software)	**7**	5
Amortisation of lease premiums	**-**	1
Costs charged in respect of share remuneration	**8**	6
Defined benefit pension costs less regular cash contributions	**3**	1
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	**441**	418
Movements in working capital and pension contributions		
(Increase)/decrease in inventories	**(3)**	4
Decrease/(increase) in trade and other receivables	**7**	(2)
Increase in trade and other payables	**6**	12
Movement in provisions	**(1)**	2
Additional pension contributions	**(20)**	(30)
Cash flow from operations before exceptional items	**430**	404
Exceptional licensing costs paid	**-**	(4)
Cash flow from operations	**430**	400

10. NET CASH FLOW

	2006 52 weeks £m	2005 53 weeks £m
Operating profit before exceptional items	**309**	295
Depreciation and amortisation	**121**	116
EBITDA before exceptional items (a)	**430**	411
Working capital movement	**9**	16
Other non-cash items	**11**	7
Additional pension contributions	**(20)**	(30)
Cash flow from operations before exceptional items	**430**	404
Net capital expenditure (b)	**(583)**	(110)
Cash flow from operations before exceptional items and after net capital expenditure	**(153)**	294
Exceptional licensing costs paid	**-**	(4)
Cash flow from operations after net capital expenditure	**(153)**	290
Interest paid	**(115)**	(113)
Interest received	**8**	11
Tax paid	**(48)**	(43)
Dividends paid	**(56)**	(50)
Issue of ordinary share capital	**-**	2
Purchase of own shares	**(76)**	(101)
Proceeds on release of own shares held	**12**	14
Defence costs (Note 3)	**(4)**	-
Expenditure associated with refinancing	**(10)**	-
Net cash flow	**(442)**	10

(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.

11. ANALYSIS OF NET DEBT

	2006 £m	2005 £m
Cash and cash equivalents (see below)	**375**	199
Cash deposits with a maturity of greater than three months	**-**	1
Securitised debt	**(2,413)**	(1,808)
Derivatives hedging balance sheet debt*	**(26)**	(13)
Loan notes	**(2)**	(2)
Finance leases	**(1)**	(2)
	(2,067)	(1,625)

* 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 fair value 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 of £260m (2005 £129m) plus cash deposits with an original maturity of three months or less of £115m (2005 £70m).

Securitised debt

On 13 November 2003 securitised debt was issued in connection with the securitisation of the majority of the Group's UK pubs and restaurants business. The debt was issued in six loan note tranches raising £1,900m. The notes are secured on substantially all of the Group's property and future income streams therefrom.

On 15 September 2006 there was a further issue of £655m secured loan notes in the form of the A4, AB, C2 and D1 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. As part of the issue, the original A1 and A3 loan note tranches were repaid and reissued as A1N and A3N loan notes to take advantage of market rates.

The overall cash interest payable on the above loan notes is 5.7%, 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.

12. MOVEMENT IN NET DEBT

	2006 52 weeks £m	2005 53 weeks £m
Net increase/(decrease) in cash and cash equivalents	**176**	(6)
Add back cash flows in respect of other components of net debt:		
Proceeds from cash deposits with a maturity of greater than three months	**(1)**	(19)
Repayment of principal in respect of other loans	**1**	-
Repayment of principal in respect of securitised debt	**460**	35
Proceeds of issue of securitised debt	**(1,078)**	
(Increase)/decrease in net debt arising from cash flows	**(442)**	10
Non-cash movements	**-**	(3)
(Increase)/decrease in net debt	**(442)**	7
Opening net debt	**(1,625)**	(1,632)
Closing net debt	**(2,067)**	(1,625)

13. **PENSIONS**

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 recognised income and expense:

Group income statement	**2006 52 weeks £m**	2005 53 weeks £m
Operating profit:		
Current and past service cost (defined benefit plans)	**(14)**	(13)
Current service cost (defined contribution plans)	**(1)**	(1)
Charge to operating profit	**(15)**	(14)
Finance income:		
Expected return on pension scheme assets	**69**	62
Interest on pension scheme liabilities	**(61)**	(59)
Net finance income from pensions	**8**	3
Total charge	**(7)**	(11)

The deficit in the schemes recognised as a liability in the balance sheet is analysed as follows:

	2006 Value £m	2005 Value £m
Equities	**596**	562
Bonds	**488**	428
Property	**98**	88
Fair value of assets	**1,182**	1,078
Present value of scheme liabilities	**(1,281)**	(1,229)
Deficit in the schemes recognised as a liability in the balance sheet	**(99)**	(151)
Associated deferred tax asset	**32**	50

The table below analyses the movement in the schemes' net deficit in the period:

	Net deficit	
	2006 £m	2005 £m
At beginning of period	**(151)**	(176)
Current and past service cost (defined benefit plans)	**(14)**	(13)
Interest cost on benefit obligations	**(61)**	(59)
Expected return on plan assets	**69**	62
Contributions	**31**	42
Actuarial gain/(loss) recognised	**27**	(7)
At end of period	**(99)**	(151)

14. CONTINGENT LIABILITIES

The Group 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.

15. FINANCIAL STATEMENTS

This preliminary statement of results was approved by the Board of Directors on 28 November 2006. It does not constitute the Group's statutory financial statements for the 52 weeks ended 30 September 2006 or for the 53 weeks ended 1 October 2005. The financial information is derived from the statutory financial statements of the Group for the 52 weeks ended 30 September 2006. The auditors, Ernst & Young LLP, have reported on those financial statements and given an unqualified report under Section 235 of the Companies Act. The 2006 financial statements will be delivered to the Registrar of Companies in due course.

16. REVALUATION

In 1996, a group restructuring by Six Continents resulted in the transfer at book value of certain fixed assets to a subsidiary that subsequently became part of the Mitchells & Butlers group. The book value included the effect of revaluations undertaken prior to 1996. Accordingly, the carrying value of the Group's fixed assets reflects those revaluations in its deemed cost under IFRS, which at 30 September 2006 amounted to £374m (2005 £386m). In addition, the carrying value of the Group's fixed assets reflects the most recent valuation of the properties undertaken in 1999 which at 30 September 2006 amounted to £328m (2005 £335m).