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Mitchells & Butlers plc

Estate Valuation, Refinancing and Return of Funds

As part of its stated strategy to maintain an efficient balance sheet and maximise returns to shareholders, Mitchells & Butlers today announces the marketing of a bond issue to refinance its securitised debt and enable further cash returns to shareholders. This follows the strong operational performance over the last three years and the consequent significant increase in the valuation of its estate.

Highlights:

- Total Group property value now in excess of £5.5bn
  - On-going securitised estate independently valued at £4.8bn[(1)]
  - Average value per securitised pub of £2.8m[(1)], 40% higher than in 2003
  - Properties outside the securitisation, including the sites recently acquired from Whitbread PLC, valued by the Directors at over £0.7bn
- Launch of £1.1bn bond issue to increase securitised debt by £655m to £2.46bn
- Total cash return to shareholders expected to be £519m since the half year, comprising:
  - Proposed special dividend of £1 per share (approximately £486m in total)
  - Share repurchases totalling £33m already completed in the second half
- Commitment to £50m additional contributions to the pension fund

[(1)]Valued as a portfolio

Commenting on the estate valuation and the return of funds to shareholders Tim Clarke, Chief Executive, said:

"Mitchells & Butlers' pub estate is now worth over £5.5bn. The substantial appreciation of our asset base over the past three years demonstrates the value that has been added to our high quality estate through the successful implementation of our operational strategy. We continue to build on our leadership position in the fast growing pub food market."

"After the special dividend announced today, Mitchells & Butlers will have returned over £1.1bn to shareholders since listing in April 2003 over and above ordinary dividends. Based on its strong trading performance and consequent asset value, the business has created the capacity to take on more debt. This latest return also reflects our confidence in the future prospects of the Company and the significant potential of the pubs recently acquired from Whitbread."

Commenting on the refinancing, Karim Naffah, Finance Director, said:

"Following our detailed financing review, we believe that our existing securitisation continues to provide the best financing structure to complement our strategy for profitable growth, which in turn drives long-term value creation and licensed freehold property appreciation. The rising cashflows and asset values in the estate support the proposed additional debt, making the balance sheet more efficient and enabling us to make this further return to shareholders."

Estate Valuation

The on-going securitised estate comprises 1704 pubs and generated £387m of EBITDA in the twelve months to 13 May 2006. This estate has been valued by Colliers CRE plc at £4.8bn as a portfolio, consistent with the methodology applied at the time of the original securitisation in November 2003. The average value per securitised pub of £2.8m is over 40% higher than in 2003, reflecting the continuing development and improved performance of the estate, as well as the disposal of smaller pubs.

Together with the remainder of the Group's properties (which include the 239 former Whitbread sites acquired for £497m in July 2006, the package of approximately 100 smaller pubs held for disposal and around 135 other pub assets), the Directors estimate that the total property assets of Mitchells & Butlers currently have a value in excess of £5.5bn. In view of Mitchells & Butlers' accounting policies under IFRS, the results of these valuations will not be reflected in the financial statements of the Group.

Refinancing

Together with The Royal Bank of Scotland and Citigroup, Mitchells & Butlers is today commencing the marketing of a bond issue to increase the level of debt in its securitised estate by £655m from £1.8bn to £2.46bn.

The proposed issue comprises £1.1bn of bonds, £655m of which will be incremental financing and the balance of £450m will be used to refinance existing sterling and dollar denominated Floating Rate Notes. Subject to debt market conditions, it is expected that the bond issue will be completed during September.

Following completion of the bond issue, Mitchells & Butlers will also enter into a medium-term unsecured loan facility to replace the short-term bridge financing put in place to acquire the 239 pub restaurant sites from Whitbread PLC.

Return of Funds

At the time of the successful acquisition of the 239 pub restaurant sites from Whitbread PLC, Mitchells & Butlers reconfirmed its intention to return of the order of £500m to shareholders by the end of the calendar year.

Subject to the completion of the proposed bond issue, Mitchells & Butlers intends to pay a special dividend to shareholders of £1 per share, which will be accompanied by a proportionate consolidation of the number of shares in issue. The special dividend will total approximately £486m; this will include the remaining £26m outstanding under the second half share buyback which will not now be executed. Together with £33m share repurchases already completed during the second half, this will mean a total return of approximately £519m to shareholders.

Following completion of the bond issue, a circular will be posted to shareholders to seek approval of the share consolidation and to set out the details of the proposed special dividend. A further announcement will be made at that time. It is currently anticipated that the special dividend will be paid to shareholders before the end of October.

Costs relating to the refinancing and the return of funds will be approximately £10m, £7m of which are expected to be amortised over the life of the new bonds and the balance will be charged as an exceptional interest cost this year. An additional £4m exceptional interest cost will be charged this year, representing the unamortised balance of the issue costs relating to the 2003 Floating Rate Notes now being refinanced.

Investment in the Pension Fund

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, on top of the £10m already committed for FY 2007. As at 15 April 2006, the Group's pension schemes had a gross deficit of £70m on an IAS 19 basis. A full actuarial valuation of the pension schemes is planned to take place with the normal triennial cycle in 2007.

Update on Disposals

We continue to see alternative use and investment demand for some individual pubs at substantially higher values than has previously been the case and we are pursuing opportunities to pro-actively manage the asset base to take advantage of these conditions in the property market.

We have recently concluded the sale of 21 smaller freehold properties in London for £53m. In the 12 months to 8 July 2006 these pubs, with average weekly sales of £7k, generated sales of £8.1m and EBITDA of £2.4m. With this transaction, disposals amounting to £88m in total have been achieved in the year to date. Discussions in relation to the disposal of the package of around 100 smaller, drink-led pubs, announced on 21 July, are on-going.

Pre Close Trading Update

An update on trading will be provided with Mitchells & Butlers' pre close trading statement on 26 September. The Board remains confident that the results for the year will be in line with its expectations.

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There will be a conference call for analysts and fund managers at 10am. Please dial 020 7162 0125. The replay will be available for 1 week on 020 7031 4064, passcode 717556.

For further information on the existing securitisation, please refer to the "Securitisation & debt information" section of the Mitchells & Butlers website at www.mbplc.com.

Notes to Editors

Mitchells & Butlers is the leading operator of managed pubs and pub restaurants in the UK with an estate of approximately 2,200 pubs at 31 August 2006. The Company aims to grow sales and profits, generate higher cash returns and, because pub assets are generally valued on a multiple of their cashflows, achieve asset appreciation over time.

Mitchells & Butlers announced its first securitisation in October 2003, raising £1.9bn of gross debt. At that time, the securitised estate comprised 1942 pubs valued at £3.85bn. Following the securitisation, a cash return of £501m was made to shareholders in December 2003 by way of a special dividend, which was accompanied by a 17-for-12 share consolidation. By 15 April 2006, the half year stage, Mitchells & Butlers had returned £141m by way of share buyback since December 2003. The return of a further £519m since the half year makes the total amount returned to shareholders since de-merger £1.16bn, in addition to ordinary dividends.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements as defined under US legislation (section 21E of the Securities Exchange Act of 1934) with respect to the financial condition, results of operations and business of Mitchells & Butlers and certain of the plans and objectives of the board of Directors with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use such words as 'will', 'should', 'continue', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe' or other words of similar meaning. The forward-looking statements contained herein are based on assumptions and assessments made by Mitchells & Butlers' management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. By their nature, forward-looking statements are inherently speculative and involve risk and uncertainty, and there are a number of factors that could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. These factors include, but are not limited to: the future balance between supply and demand for Mitchells & Butlers' sites; the effect of economic conditions and unforeseen external events on Mitchells & Butlers' business; the availability of suitable properties and necessary licenses; consumer and business spending, changes in consumer tastes and preference; levels of marketing and promotional expenditure by Mitchells & Butlers and its competitors; changes in the cost and availability of supplies; key personnel and changes in supplier dynamics; significant fluctuations in exchange rates, interest rates and tax rates; the availability and effects of any future business combinations, acquisitions or dispositions; the impact of legal and regulatory actions or developments; the impact of the European Economic and Monetary Union; the ability of Mitchells & Butlers to maintain appropriate levels of insurance; the maintenance of Mitchells & Butlers' IT structure; competition in markets in which Mitchells & Butlers' operates; political and economic developments and currency exchange fluctuations; economic recession; management of Mitchells & Butlers' indebtedness and capital resource requirements; material litigation against Mitchells & Butlers; substantial trading activity in Mitchells & Butlers' shares; the reputation of Mitchells & Butlers' brands; the level of costs associated with leased properties; competition for high quality managers; declining sales of beer in pubs in the UK; food safety scares; funding liabilities in respect of the Group's pension schemes and the weather.