

29 January 2009

MITCHELLS & BUTLERS PLC

AGM TRADING STATEMENT

Highlights

- Resilient like-for-like sales up 1.0% in the 9 weeks to 24 January
- Accelerating market share gains
- Strong cash flow with £52m of disposals agreed to date
- Uplifts of over 20% in sales from newly converted ex-Whitbread sites
- Overall results in line with Board's expectations

At the Annual General Meeting to be held at 11am this morning the Chairman, Drummond Hall, will make the following comments on the Company's trading for the first 17 weeks to 24 January of the financial year:

Current Trading

"I am pleased to report that Mitchells & Butlers trading continues to be resilient, against a worsening trend of consumer demand, with like-for-like sales up 1.0% in the nine weeks to 24 January. The pattern of trading since the Preliminary results update on 26 November saw a slow build up in early December followed by a strong two week Christmas period. January trading has been resilient amidst a challenging market. Like-for-like sales in the first 17 weeks of the financial year were up 1.0%. As a consequence, overall results in the year to date are in line with the Board's expectations.

"Our focus on good customer value, targeted promotional activity and competitively advantaged amenity levels is generating an acceleration of market share gains in both food and drink. As a result, we are continuing to further invest in value for money offers with positive effects.

"Amidst a weakening eating out market, like-for-like food sales growth in the first 17 weeks of 2.6% remains robust. Our ability to utilise our scale advantages to deliver quality offers at good value, such as the £3.50 main meal price in Crown Carveries or the £4.99 Harvester Earlybird offer is generating profitable volume growth with strong associated drinks sales. Moreover, drinks sales growth continues to strengthen as a result of our focus on range, value and dispense standards with like-for-like drinks sales up 1.2% in the first 17 weeks. Against an on-trade drinks market in serious decline with UK beer volumes down 9.9% in the three months to the end of December 2008, this represents our strongest ever recorded rate of market share gain. Within this, cask ale sales have been particularly strong with volumes up 18% and we now have over 700 pubs with Cask Marque accreditation. Machine sales continue to be weak with like-for-like sales down 6.1% in the 17 weeks.

"The Residential estate, accounting for 76% of sales, continues to perform well led by our Locals pubs and more value orientated pub restaurant brands

with like-for-likes up 1.7% in the 17 weeks. In the High Street a strong performance in central London and our town pubs outside London has been offset by continued weakness in our later evening venues with like-for-likes in this segment down by 0.3%.

“We continue to carefully manage pricing to maximise cash contribution in a consumer environment where customers are rapidly becoming more value conscious and price sensitive. The average price of a meal is now £6 and the average price of a pint of standard lager is over 40p cheaper than the average in leased pubs. Combined food and drink prices including VAT have risen by less than 1% which, with increasing duty levels and food cost inflation, has led to a 2 percentage points reduction in gross margins. The impact of food inflation has been significantly offset by menu management measures. Furthermore, strong gains in staff productivity from investment in training and scheduling systems and continuing overhead cost reductions, are mitigating the operational gearing effect on net profit margins.

“Following the swap of our former Express by Holiday Inn lodges for 44 Whitbread pub restaurants completed in September, we have moved quickly to convert these sites to our market leading formats. To date 28 conversions have been completed with strong sales uplifts already of over 20%. We expect that virtually all the remaining pubs will be converted by the end of March.

Cash Flow

“We are making good progress with our debt reduction programme. We have successfully completed or contracted on a total of £52m of pub disposals and sale and leasebacks of non core assets in the current year, of which £20m has been received. Together with good operating cash flows, this will accelerate the reduction in the unsecured medium term banking facility such that drawings are expected to be reduced below the next step down well before the end of this financial year (the facility drops from £550m to £400m in December 2009). Current drawings on the facility are below £460m after a first quarter which has a relatively low cash inflow due to the timing of working capital movements.

Outlook

“Recessionary pressures are intensifying and as a result, we expect continued sizable declines in on-trade beer volumes and a significant contraction in the eating out market. Against this adverse demand background, the quality of our pubs and their value for money positioning underpin our confidence of a further increase in the rate of market share gains.

“As previously disclosed, cost pressures continue to be substantial with £20m of regulatory cost increases and some £30m of food and energy cost increases which are heavily concentrated in the first half. However, forward cost prices in the second half for energy and food are starting to see declines,

although these markets remain volatile. To mitigate the cost pressures, we expect to realise some £20m of cost savings in the year.

“Overall, despite the challenges from weakening consumer demand and the cost pressures, the quality of our well invested estate, the value and volume sales strategy, further cost efficiencies and the opportunities for accelerated market share gains are set to support a resilient trading performance amidst recessionary economic conditions.”

This announcement is Mitchells & Butlers’ Interim Management Statement for the 17 week trading period to 24 January 2009. We will announce Interim Results for the 28 weeks to 10 April 2009 on 21 May.

There will be a conference call for analysts and investors at 8.30am; please dial +44(0) 1452 568 061 and quote conf ID 82693005. The replay will be available until 5 February 2009 on +44(0) 1452 55 00 00, replay access number 82693005#.

For further information, please contact:

Investor Relations:

Erik Castenskiold 0121 498 6513

Media:

Kathryn Holland 0121 498 4526

James Murgatroyd (Finsbury Group) 0207 251 3801

Notes for editors:

- Mitchells & Butlers owns and operates around 2,000 high quality pubs in prime locations nationwide. The Group’s predominantly freehold, managed estate is biased towards large pubs in residential locations. With around 3% of the pubs in the UK, Mitchells & Butlers has 10% of industry sales and average weekly sales per pub almost four times greater than that of the average UK pub.
- Mitchells & Butlers’ leading portfolio of brands and formats includes Ember Inns, Harvester, Sizzling Pub Co., Toby Carvery, Vintage Inns, Crown Carveries, All Bar One, O’Neill’s, Nicholson’s and Browns. In addition, Mitchells & Butlers operates a large number of individual city centre and residential pubs.
- Same outlet like-for-like sales growth includes the sales performance against the comparable period in the prior year of all managed pubs that were trading in the two periods being compared. For the 17 weeks to 24 January 93% of the estate is included in this measure.