

December 2009

Dear Shareholder

We thought it would be helpful if we detailed some of the events which have happened since the publication of the 2009 Annual report and accounts of the Company (the 'Accounts').

In this letter we explain the background to the appointment and recent removal from the Board of four Non-Executive Directors, the appointment of Simon Laffin as the Chairman of the Company and, most importantly, ask for your support at the Annual General Meeting for resolutions proposed by the Board, especially in re-electing both Antony Bates and Simon Laffin as Directors.

Appointment of the four Directors

Since October 2008, the Company's two largest shareholders have been Piedmont Inc, an investment vehicle whose ultimate owner is Joe Lewis, which currently holds 22.8% of the equity of this Company, and Elpida Group Ltd ('Elpida'), owned by John Magnier and JP McManus, which holds 17.6%.

In April 2009, Leo Fund, owning at the time 5.6% of our shares, requested that the Board appoint Denis Jackson and Ray MacSharry as new independent Directors. Leo Fund subsequently informed the Board on various occasions that unless the Board agreed to its request it would requisition a shareholders' meeting. On 24 June 2009 Leo Fund told the Company it had prepared a requisition to convene an EGM to propose a resolution to appoint Mr Jackson and Mr MacSharry as Directors. Representatives of Leo Fund said they believed that Elpida and Piedmont Inc, who together with Leo Fund held over 40% of the Company's shares at the time, would vote in favour of that resolution. The Board therefore felt that it had little choice but to appoint them as Directors, but required Mr Jackson and Mr MacSharry to confirm their independence in writing, which they subsequently did. They were therefore appointed to the Board on 28 August 2009.

After Leo Fund's request, Piedmont Inc implemented its right to appoint up to two representative non independent Directors to the Board and therefore on 16 July 2009, Richard McGuire was appointed and on 18 November 2009 Douglas E McMahan was also so appointed. (This was because, at Piedmont Inc's request, the Company had previously agreed in principle in October 2008, that it should have the right to appoint up to two non independent representative Directors for so long as it retained its shareholding in the Company.)

Why the four Directors were removed

The Board believes that it is imperative that both collectively and individually Directors should represent and protect the interest of all shareholders. However, during November a number of concerning events took place:-

1. 15 November 2009 – Chairman Appointment

Mr McGuire, a Director nominated by Piedmont Inc, informed the Board on 15 November 2009 at the final stage of the recruitment process, despite having been involved from the outset, that Piedmont Inc would not support the appointment of any of the three high quality independent candidates short listed.

2. 17 November – Position of the Senior Independent Director

On 17 November, Mr McGuire informed Mr Laffin, the then Senior Independent Director that "a small number of large shareholders" would vote against his re-election at the AGM. Mr McGuire said that he thought it better in fact if Mr Laffin did not stand at all. This conversation was subsequently confirmed in a telephone call that same day between Mr McGuire and the then Chairman, Drummond Hall. At that point, the majority of the Board felt that the role of the Senior Independent Director was being improperly influenced by Piedmont Inc and its representative on the Board.

3. Conduct on the Evening of 25 November 2009

Whilst during their appointment it was notable that the four Directors appeared to have a consistent view on a variety of business issues and that these views differed from that of the rest of the Board, it is not unusual, in the normal business of a Board, to have differences of opinion between Directors on matters being reviewed.

However, on 25 November (the day before the Final Results were to be published), Mr McGuire decided to withdraw his responsibility statement (effectively a letter to the Auditors from each Director confirming that all known facts had been disclosed in respect of matters in the Accounts), despite very clear advice from the Company's Auditors and other advisers on the Accounts.

This was followed by Mr Jackson withdrawing his responsibility statement, stating that if Mr McGuire did not reinstate his responsibility statement then neither would he.

Mr MacSharry then also stated that unless agreement could be reached with Mr McGuire then he would also withdraw his responsibility statement.

Finally Mr McMahan, who had not at that point signed a responsibility statement, also made it clear that he would not be signing it until Mr McGuire had reinstated his.

Shortly before midnight Mr McGuire reinstated his responsibility statement, an action that was then followed by Mr Jackson and Mr MacSharry and Mr McMahan signed his. The Accounts were duly published without any reservations or qualification.

4. Discussion on 27 November 2009

On 27 November, your Board made a further attempt to find an accommodation with the Company's largest shareholder. Adam Fowle spoke directly to Joe Lewis at some length that afternoon. It became clear during this phone call that agreement could not be reached with Mr Lewis over the appointment of an independent Chairman.

Response by your Board

Following increasing press speculation and market rumour, your Board therefore felt that it had no alternative, and was strongly advised by all its advisers, that it had to draw shareholders' attention as soon as practicable to the increasingly difficult relationship between the Board and Piedmont Inc's representative, as set out in the announcement made by the Company on 30 November 2009.

Whilst the Board welcomes all constructive input into its decision making process, it was felt by a majority of the Board that the actions of these four individual Directors indicated that they appeared not to be exercising judgment independently of each other, in the interests of all shareholders. Therefore it was concluded that it was becoming extremely difficult for the Board to operate in the interests of all shareholders and that furthermore, the Executive Directors were being distracted from focusing on driving the operational outperformance of the Company for the best prospects of success of the Company.

The Executive Directors and the other Non-Executive Directors also considered that it was important to maintain a Board with a majority of independent Directors, who could ensure that the business was run efficiently for the benefit of all shareholders.

It was known to the Board (but possibly not Mr McMahan) that Sara Weller was intending to retire at the January 2010 AGM, that Mr Hall was also shortly stepping down from the Board, and that Mr Laffin had been threatened with being voted off at the AGM. In addition, Mr Bates will also be standing for re-election at the same meeting. It has not been practical to recruit and appoint replacement new Non-Executive Directors in the last few months, particularly as Piedmont Inc's representative had been reluctant to allow progress on this. This could have left the Board post the AGM with only two independent Directors (Sir Tim Lankester and Antony Bates), two Executive Directors and the other four Directors.

The Board therefore decided, in its duty to have a fully functioning independent Board for all shareholders, that it had to remove the four Directors as set out above. It also decided to ask Mr Laffin to become Chairman as he had the skills and experience to lead the Board through this difficult time.

Since these events, your Board is back working effectively, leading and supporting executive management in their core job which they do best; that of running pubs efficiently and effectively, serving our millions of customers.

Why we need your support

With over 40% of the equity in the hands of Piedmont Inc and Elpida, these two shareholders could together have a sufficient number of votes to defeat any resolutions put by your Board on behalf of all shareholders at the AGM on 28 January 2010. In situations such as these, every single vote counts.

Therefore, we would ask you to support all resolutions being put to the meeting and recommended to you by your Board. In particular, the Board feels that it is essential to retain a majority of strong independent Directors and so urges you to vote for the re-election of both Mr Bates and Mr Laffin.

We sincerely trust that we can count on your support.

Yours sincerely

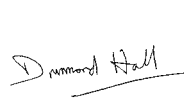
The Board of Mitchells & Butlers plc



Antony
Bates



Adam
Fowle



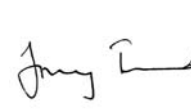
Drummond
Hall




Simon
Laffin



Sir Tim
Lankester



Jeremy
Townsend



Sara
Weller