

This document is important and requires your immediate attention

If you are in any doubt as to what action you should take, you should consult your stockbroker, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in Mitchells & Butlers plc, please pass this document and the accompanying Form of Proxy to the stockbroker or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.

A Form of Proxy for the Annual General Meeting is enclosed and should be completed and returned so as to reach the Company's Registrar by no later than 11am on Monday, 24 January 2005. Completion and return of the Proxy will not prevent you from attending and voting at the Meeting in person, should you so wish. Alternatively you can register your proxy vote electronically, either by means of a website provided by the Company's Registrar, www.sharevote.co.uk, or by using the service launched by CRESTCo last year. Further details are given in the notes to this document.



Mitchells & Butlers plc Notice of annual general meeting

to be held at
The Queen Elizabeth II Conference Centre,
Broad Sanctuary, Westminster, London SW1P 3EE,
on Wednesday, 26 January 2005, at 11am.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mitchells & Butlers plc will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Wednesday, 26 January 2005, at 11am, or at any adjournment thereof, for the following purposes:

Resolutions

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 7 and 10 and 11 will be proposed as ordinary resolutions and numbers 8 and 9 as special resolutions.

- 1 To receive the Company's financial statements for the year ended 25 September 2004, together with the reports of the Directors and auditors.
- 2 To approve the Remuneration Report for the year ended 25 September 2004.
- 3 To declare a final dividend on the ordinary shares.
- 4 To reappoint (a) Mike Bramley, (b) Roger Carr and (c) Drummond Hall as Directors of the Company.
- 5 To reappoint Ernst & Young LLP as auditors of the Company until the next general meeting at which accounts are to be laid.
- 6 To authorise the Audit Committee of the Board to agree the auditors' remuneration.

7 Allotment of shares:

"THAT the Directors be generally and unconditionally authorised pursuant to, and in accordance with, Section 80 of the Companies Act 1985 and within the terms of Article 14 of the Articles of Association of the Company to exercise, during the period ending on the date of the Annual General Meeting in 2006 or 26 April 2006, whichever is the earlier, all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £12,369,740."

8 Disapplication of pre-emption rights:

"THAT during the period ending on the date of the Annual General Meeting in 2006 or on 26 April 2006, whichever is the earlier, the Directors be and are hereby empowered to allot equity securities wholly for cash pursuant to any authority for the time being in force under Section 80 of the Companies Act 1985 and within the terms of Article 14 of the Articles of Association of the Company:

- i in connection with a rights issue (as defined by Article 14.5.1); and
- ii otherwise than in connection with a rights issue, up to an aggregate nominal amount of £1,855,460 as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment and shall be in substitution for all previous disapplications of Section 89 of the Act, which shall cease to have effect without prejudice to any allotment of securities pursuant thereto."

9 Authority to purchase own shares:

"THAT, subject to and in accordance with Article 11 of the Company's Articles of Association, the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 7½p each in the capital of the Company (ordinary shares), provided that:

- i the maximum aggregate number of ordinary shares hereby authorised to be purchased is 52,389,740;
- ii the minimum price which may be paid for each ordinary share is 7½p per share;
- iii the maximum price which may be paid for each ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share, as derived from The London Stock Exchange Daily Official List, for the five business days before the day on which such share is contracted to be purchased; and
- iv the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or on 26 April 2006, whichever is earlier (except in relation to the purchase of ordinary shares the contract for which was concluded before such date and which is executed wholly or partly after such date), unless such authority is renewed prior to such time."

10 Short Term Deferred Incentive Plan Rules:

"THAT the amendments to the rules of the Short Term Deferred Incentive Plan (the 'Plan'), summarised in the explanatory notes to the Annual General Meeting Notice dated 30 November 2004 and shown in the copy of the rules of the Plan produced to the meeting and initialled by the Chairman for identification purposes only, be and are hereby approved and that the Board of Directors be authorised to do all that is necessary to give effect to these amendments."

11 Political donations:

"THAT:

- i the Company be and is hereby authorised to make donations to EU Political Organisations up to an amount of £50,000 and to incur EU Political Expenditure up to an amount of £50,000 and
- ii Mitchells & Butlers Retail Ltd, being a wholly-owned subsidiary of the Company, be and is hereby authorised to make donations to EU Political Organisations up to an amount of £50,000 and to incur EU Political Expenditure up to an amount of £50,000

provided that the aggregate amount of any such donations and expenditure shall not exceed £50,000 during the period beginning on the passing of this resolution and ending on the date of the Annual General Meeting in 2006 or 26 April 2006, whichever is the earlier."

By order of the Board

Bronagh Kennedy
Company Secretary
30 November 2004

Registered Office:
27 Fleet Street
Birmingham B3 1JP

Explanation of business

The Notice of Meeting contains items of business which are of a technical nature and are therefore explained below.

Resolution 2 – Remuneration Report Shareholders are given the opportunity by law to vote on the Remuneration Report and this vote will be in respect of the content of the Remuneration Report and not specific to any Director's level or terms of remuneration.

The full extent of the Remuneration Report is contained in the Annual Report and Financial Statements 2004, copies of which have been sent to those shareholders who elected to receive them and are obtainable from the Registered Office of the Company or from the Company's website – www.mbplc.com/investors. A summary of the Remuneration Report is contained in the Annual Review and Summary Financial Statement 2004, which has been sent to all shareholders.

Resolution 4 – Directors The following directors, whose biographical details are shown on pages 26 and 27 of the Annual Review and Summary Financial Statement 2004, are standing for reappointment at the Annual General Meeting on 26 January 2005, in accordance with the Articles of Association and each reappointment will be put as a separate resolution. The Board recommends these reappointments to shareholders for the reasons given below:

Mike Bramley

Mike Bramley has long and varied experience of the brewing and pub industries over more than 20 years, making him extremely well qualified to act as Managing Director of the Pubs & Bars division. In the past year since his previous reappointment to the Board, the Pubs & Bars division has performed well, gaining market share in a difficult market, developing its food business, maintaining employee productivity in spite of the increase in the National Minimum Wage and finding imaginative ways of maximising asset values through disposal, conversion or transfer to franchise.

Mike is a leading figure in the industry and, as a director of the British Beer & Pub Association, has been playing an important role in developing the Company's and the industry's response to the significant social issues of irresponsible drink promotions, smoking in public places and healthy eating.

Mike's performance as a member of the Board has been formally evaluated in 2004 and his detailed knowledge of the business and his contribution to the Board's strategic thinking have been highly appreciated, as has his wholehearted commitment to the Company.

Roger Carr

Roger Carr, as Chairman, has provided wise and sound leadership during a period of immense change for the Company. He has overseen a bid committee during the course of the demerger process, the development of the Company's strategic goals and the establishment of its governance structure and procedures.

As an eminent figure in industry, he also chairs a FTSE 100 company and holds other appointments. His ability to manage his time effectively, together with his exceptional drive, energy, enthusiasm and commitment to the business have satisfied the Board that he has and will commit sufficient time to the Company's affairs.

Roger maintains close contact with the Company's principal shareholders and keeps the Board advised of their views. The recent formal evaluation of the Board and its Chairman shows that he enjoys the respect, support and trust of his colleagues.

Drummond Hall

Having been appointed to the Board in July 2004, Drummond Hall automatically stands for reappointment. His recruitment, with the help of external consultants, was carried out against objective selection criteria agreed by the Nomination Committee. Although it is too early for his performance on the Board to have been formally evaluated, the Board believes that his strong consumer marketing background will enable him to make a significant contribution to the Board.

Resolution 7 – Allotment of shares This resolution authorises the Directors to allot ordinary shares up to an aggregate nominal amount of £12,369,740. This is equivalent to 33 per cent of the current issued share capital. Although the Directors have no present intention of exercising this authority, it is considered prudent to maintain the flexibility it provides. This resolution complies with Institutional Investment Committee guidelines and will replace the authority given to the Directors at the Annual General Meeting in 2004.

Resolution 8 – Disapplication of pre-emption rights It is proposed to renew the authority of the Directors to allot equity securities for cash without first being required to offer such securities to existing shareholders. The authority relates to up to £1,855,460 of nominal capital, being 5 per cent of the current issued ordinary share capital of the Company and the authority will expire at the next Annual General Meeting, or on 26 April 2006, whichever is the earlier. This resolution complies with Institutional Investment Committee guidelines.

Resolution 9 – Authority to purchase own shares The Company is seeking authority to purchase up to 10 per cent of its ordinary shares at, or between, the minimum and maximum prices specified in this resolution. This power would be used only after careful consideration by the Directors, having taken into account market conditions prevailing at that time, the investment needs of the Company, its opportunities for expansion and its overall financial position. The Directors would exercise the authority to purchase ordinary shares only if they considered it to be in the best interest of shareholders and if the purchase could be expected to result in an increase in earnings per share.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, which came into force on 1 December 2003, the Company is allowed to hold its own shares in treasury following a buy-back, instead of cancelling them as previously required. Such shares may be resold for cash but all rights attaching to them, including voting rights and any right to receive dividends are suspended whilst they are held in treasury. If the Board exercises the authority conferred by Resolution 9, the Company will have the option of holding repurchased shares in treasury.

At 25 September 2004, options were outstanding to subscribe for 32m ordinary shares, representing 6.1 per cent of the issued share capital. If the full 10 per cent share repurchase authority were utilised, the options outstanding would represent 6.8 per cent of the issued share capital.

The authority sought at the Annual General Meeting will expire at the conclusion of the next Annual General Meeting, or on 26 April 2006, whichever is the earlier.

Resolution 10 – Amendments to Short Term Deferred Incentive Plan ('STDIP')

The STDIP was introduced as part of the incentive arrangements for Executive Directors on the demerger of Mitchells & Butlers plc from Six Continents PLC. The STDIP is structured as a Company share match and allows the Remuneration Committee to determine that the annual bonus awarded to a participant be deferred into the Company's shares. To date, the Remuneration Committee has required the participants' total annual bonuses to be so deferred.

The Company share match is currently one share for every two deferred shares and there is no performance condition for the vesting of the matching shares. Vesting takes place annually, in three equal tranches on the first, second and third anniversaries of the original bonus deferral. The maximum potential annual bonus for Executive Directors is 80% of salary.

The proposed changes to the STDIP are summarised as follows:

- In keeping with best practice, a performance condition is being introduced, which will have to be met before vesting of the Company's matching shares, with no retesting should the performance condition not be met on the first occasion;
- The STDIP will move from annual vesting to a three-year vesting period, so that neither the deferred shares nor the matching shares may be transferred to the participant until the third anniversary of the end of the bonus period;
- An increase in the Company's share match from 1 for 2 to 1 for 1 is proposed, which the Remuneration Committee has been independently advised is in line with normal market practice.

It is believed that the increase in the vesting period is of benefit to shareholders as it encourages retention. The requirement that the Chief Executive should acquire and retain shares to the value of three times his salary (twice salary for the other Executive Directors) will be maintained.

The Remuneration Committee, which consists wholly of independent Non-Executive Directors, will set the performance condition. For awards in respect of the financial year 2004/05, it is expected that the condition will be based on earnings per share ('eps') growth, which will be aligned to the measure applying to the Executive Share Option Plan. The vesting of matching shares will be on a sliding scale according to the level of eps growth.

In the event of a change of control of the Company or the cessation of employment in certain circumstances, shares will not vest automatically, but the Remuneration Committee will have discretion under the STDIP rules to permit early vesting. In exercising this discretion, it is the Remuneration Committee's intention to follow best practice, taking into consideration the pro-rating of matching share awards to the time elapsed during the performance period and to the extent of achievement of the performance condition during that time.

The proposed increase in the share match to 1 for 1 will balance the introduction of the performance condition and the longer vesting period and will maintain the overall value of the incentive package.

Resolution 11 – Political donations Authority is sought to enable the Company to support organisations which may fall within the legal definition of ‘political organisations’. For the purposes of this resolution, ‘Donations’, ‘EU Political Organisations’ and ‘EU Political Expenditure’ have the meanings ascribed to them in Part XA of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000 (‘the Act’)).

The Company has no intention of changing its current practice of not making donations to political parties. However, the Act contains restrictions on companies making donations or incurring expenditure in relation to EU Political Organisations. The Act defines EU Political Organisations very widely and, as a result, it is possible that EU Political Organisations may include, for example, bodies concerned with policy review and law reform, with the representation of the business community or sections of it, or with the representation of other communities or special interest groups, which it is in the shareholders’ interest for the Company to support. Expenditure could include the sponsorship of industrial forums and involvement in seminars and functions to which politicians may be invited. Amongst other things, the Act prohibits the Company or its subsidiaries from making donations or incurring expenditure in relation to EU Political Organisations in a 12 month period in excess of an aggregate amount of £5,000, unless such donations have been authorised by the Company’s shareholders.

The Company believes that the authority proposed under the resolution to allow it or Mitchells & Butlers Retail Ltd to fund donations to a limit of £50,000 is necessary. Such authority will enable the Company to be sure that it does not, because of uncertainty as to the bodies covered by the definition of EU Political Organisations, unintentionally commit a technical breach of the Act. Following a review of risk and in pursuit of good practice, the limit has been reduced from the £100,000 authority received last year.

The Act requires that this resolution should not purport to authorise particular donations or expenditure. In accordance with the Act, however, the Company will make disclosure in its next Annual Report of any donation made by it or Mitchells & Butlers Retail Ltd to any EU Political Organisations or of any EU Political Expenditure incurred, which is in excess of £200.

Notes

- 1 Only holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the Meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend and vote on his/her behalf. A proxy may not speak at the Meeting, except with the permission of the Chairman of the Meeting.
- 2 A Form of Proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the Meeting in person.
- 3 If you wish you may register the appointment of a proxy for this meeting electronically, by contacting the website www.sharevote.co.uk where full details of the procedure are given. The proxy appointment and instructions must be received by Lloyds TSB Registrars not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
- 4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service should follow the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) not less than 48 hours before the time for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 5 The Register of Directors' Interests, together with copies of contracts of service or letters of appointment between the Directors and the Company or any of its subsidiaries (or a memorandum of the terms thereof) and the STDIP rules (as proposed to be amended) will be available at the Registered Office of the Company during normal business hours until the date of the Annual General Meeting, and on that day at the place of the Meeting from at least 15 minutes prior to the Meeting until its conclusion.
- 6 The Company specifies that only those shareholders on the Register of Members as at 6.00pm on 24 January 2005 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their names at the time. Changes to entries on the ordinary register after 6.00pm on 24 January 2005 shall be disregarded in determining the right of any person to attend or vote at the Meeting.