

THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your Shares, you should send this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action. The distribution of this document and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law. Any person not in the United Kingdom into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Sapient Corporate Finance which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company and for no one else in connection with the Disposal and is not advising any other person and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to the customers of Sapient Corporate Finance or for providing advice in relation to the content of this document or any transaction, arrangement or other matter described in this document.

J.P. Morgan Cazenove which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company and for no one else in connection with the Disposal and is not advising any other person and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to the customers of J.P. Morgan Cazenove or for providing advice in relation to the content of this document or any transaction, arrangement or other matter described in this document.

Nomura which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company and for no one else in connection with the Disposal and is not advising any other person and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to the customers of Nomura or for providing advice in relation to the content of this document or any transaction, arrangement or other matter described in this document.



Mitchells & Butlers plc

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 04551498)

Proposed Disposal of Non-Core Pubs and Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company, which is set out in Part I of this document. This document contains the recommendation that you vote in favour of the resolution to be proposed at the General Meeting referred to below. A discussion of certain risk factors, which should be taken into account when considering what action you should take in connection with the General Meeting, are set out in Part II of this document.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

Notice of the General Meeting of the Company, to be held at The Institution of Engineering and Technology, Savoy Place, 2 Savoy Place, London WC2R 0BL at 2.30 p.m. on 26 October 2010, is set out in Part VIII of this document.

Shareholders will find enclosed a Form of Proxy for use at the General Meeting. Shareholders are requested to complete and return the Form of Proxy whether or not they intend to be present at the General Meeting. To be valid, the Form of Proxy should be completed and signed in accordance with the instructions printed thereon and returned by post or by hand so as to reach Equiniti as soon as possible and, in any event, **by no later than 2.30 p.m. on 24 October 2010**. The completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting at the General Meeting.

Alternatively, Shareholders can register their proxy vote electronically **by no later than 2.30 p.m. on 24 October 2010**, either by means of the website provided by Equiniti, www.sharevote.co.uk, or by using the service provided by Euroclear.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

Forward looking statements

This document contains a number of forward looking statements relating to the Company with respect to, amongst others, the following: financial conditions; results of operations; economic conditions in which the Company operates; the business of the Company; future benefits of the Disposal; and management plans and objectives. The Company considers any statements that are not historical facts as “forward looking statements”. They relate to events and trends that are subject to risks, uncertainties and assumptions that could cause the actual results and financial position of the Company to differ materially from the information presented in the relevant forward looking statement. When used in this document the words “estimate”, “project”, “intend”, “aim”, “anticipate”, “believe”, “expect”, “should”, and similar expressions, as they relate to the Company or their management, are intended to identify such forward looking statements. Readers are cautioned not to place undue reliance on these forward looking statements which speak only as at the date of this document. Neither the Company nor any member of the Group undertakes any obligation to update publicly or revise any of the forward looking statements, whether as a result of new information, future events or otherwise, save in respect of any requirement under applicable laws and regulations, the Listing Rules, the Prospectus Rules, and the Disclosure and Transparency Rules.

TO VOTE ON THE DISPOSAL

Whether or not you plan to attend the General Meeting in person, please:

1. complete the enclosed Form of Proxy in accordance with the instructions printed on it; and
2. return it so as to reach Equiniti by no later than 2.30 p.m. on 24 October 2010.

A summary of the action to be taken by Shareholders is set out on page 8 of this document and in the accompanying Notice of General Meeting.

TABLE OF CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS	3
DIRECTORS, COMPANY SECRETARY AND ADVISERS	4
PART I LETTER FROM THE CHAIRMAN OF THE COMPANY	5
PART II RISK FACTORS	9
PART III PRINCIPAL TERMS OF THE DISPOSAL DOCUMENTS	15
PART IV FINANCIAL INFORMATION ON THE NON-CORE PUBS	18
PART V UNAUDITED PRO FORMA FINANCIAL INFORMATION	20
PART VI ADDITIONAL INFORMATION	24
PART VII DEFINITIONS AND GLOSSARY	33
PART VIII NOTICE OF GENERAL MEETING	36

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Time/date</i>
Publication of this document	7 October 2010
Latest time and date for receipt of Form of Proxy	2.30 p.m. on 24 October 2010
General Meeting	2.30 p.m. on 26 October 2010
Expected date of Completion	14 November 2010

Notes:

- 1 If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement through the Regulatory Information Service of the London Stock Exchange.
- 2 The date of Completion is expected to be 14 November 2010. The timing of Completion is, however, dependent upon the approval of the Disposal at the General Meeting, and if there is any delay in the approval of the Disposal, the date of Completion may change.
- 3 All references in this document are to London times unless otherwise stated.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Board of Directors	John Lovering (<i>Chairman</i>) Adam Fowle (<i>Chief Executive</i>) Michael Balfour (<i>Non-Executive Director</i>) Jeremy Blood (<i>Non-Executive Director</i>) Simon Burke (<i>Non-Executive Director</i>) Sir Tim Lankester (<i>Non-Executive Director</i>) Ron Robson (<i>Non-Executive Director</i>)
Company Secretary	Bronagh Kennedy
Registered Office	27 Fleet Street Birmingham B3 1JP
Lead Financial Adviser	Sapient Corporate Finance 1 Grosvenor Crescent London SW1X 7EF
Joint Sponsors and Corporate Brokers	J.P. Morgan Cazenove 10 Aldermanbury London EC2V 7RF Nomura International plc Nomura House 1 St Martin's-le-Grand London EC1A 4NP
Reporting Accountants	Ernst & Young LLP No. 1 Colmore Square Birmingham B4 6HQ
Legal Advisers	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS
Registrar	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA

PART I

LETTER FROM THE CHAIRMAN OF THE COMPANY



Mitchells & Butlers plc

(incorporated and registered in England and Wales with registered number 04551498)

Directors

John Lovering (*Chairman*)
Adam Fowle (*Chief Executive*)
Michael Balfour (*Non-Executive Director*)
Jeremy Blood (*Non-Executive Director*)
Simon Burke (*Non-Executive Director*)
Sir Tim Lankester (*Non-Executive Director*)
Ron Robson (*Non-Executive Director*)

Registered Office

27 Fleet Street
Birmingham
B3 1JP

7 October 2010

Dear Shareholder,

PROPOSED DISPOSAL OF 333 NON-CORE PUBS

1. Introduction

On 20 August 2010, Mitchells & Butlers plc (the *Company*, and together with its subsidiaries, the *Group*) announced that it had entered into an agreement to sell 333 non-core pubs and certain accompanying assets (the *Non-Core Pubs*) to Stonegate Pub Company Limited (*Stonegate*), a company controlled by funds managed by TDR Capital LLP (*TDR Capital*), for a total cash consideration of £373 million (the *Disposal*). The Disposal is in line with the Company's strategy to withdraw from the lower price, drinks-led market and late night high street bars and venues, as announced in March 2010.

Completion of the Disposal is conditional upon your approval, in accordance with the Listing Rules. Your approval will be sought at the General Meeting to be held at 2.30 p.m. on 26 October 2010. The notice convening the General Meeting is set out in Part VIII of this document.

The purpose of this document is to provide you with further details in relation to the Disposal, to explain why the Board considers it to be in the best interests of Shareholders as a whole and to seek your approval for the Disposal.

2. Background to and reasons for the Disposal

As set out in the Company's strategic review statement on 24 March 2010, the Group's strategy is to focus on the attractive growth prospects of the informal eating out market, centred on its market-leading brands, and to reduce its exposure to the lower price, drinks-led sector. This has led to a number of disposals of non-core businesses, including the majority of the lodge business in July 2010, Hollywood Bowl in August 2010 and the proposed Disposal for total gross consideration of approximately £500 million. The speed of this disposal process has enabled a rapid reshaping of the Group towards its chosen market sectors.

The Non-Core Pubs operate in the drinks-led market, which has been negatively impacted by long term social trends away from drinking out without food. In the last few years these trends have been accelerated by the smoking ban, duty increases and the recession. The increased level of youth unemployment has put further pressure on the more price sensitive end of this market.

The business of the Group following completion of the Disposal will comprise 1,605 restaurants and food-led pubs. Each year since 2007, the Group, as constituted following completion of the Disposal but excluding the acquisition of Ha Ha Bar and Grill Limited (the *Continuing Group*), has grown like-for-like sales by around 1 per cent. more than the historically reported Group results. The table below highlights the like-for-like sales performance of the Continuing Group compared with the Non-Core Pubs.

Like-for-like sales growth	52 weeks ended 27 September 2008	52 weeks ended 26 September 2009	51 weeks ended 18 September 2010
Non-Core Pubs	(2.8%)	(1.2%)	(2.2%)
Continuing Group	+1.8%	+2.6%	+2.8%
Group	+1.0%	+1.6%	+2.0%

Note: The financial information in the table above has been derived from information extracted without material adjustment from the consolidation schedules which support the consolidated audited accounts for the years ended 29 September 2007, 27 September 2008 and 26 September 2009. Also included above is certain unaudited operating performance information for the 51 weeks ended 18 September 2010 which has been derived from information extracted from management accounts and internal financial and operating reporting systems.

For the 52 weeks ended 10 April 2010, the pubs within the Continuing Group had an average weekly take (*AWT*) of £21,000 and food accounted for 47 per cent. of turnover.

Following the Disposal, the Group will convert the 98 Scream, Bars & Venues, Town Pubs and Community Pubs remaining within the Continuing Group into one or more of its expansion brands. The Group is currently achieving EBITDA returns of greater than 25 per cent. on similar conversions opened over the last two years.

The Group will continue to build further scale through additional conversions, new site development and acquisitions, such as the recent acquisition of Ha Ha Bar and Grill Limited.

3. Information on the Non-Core Pubs

The Non-Core Pubs consist of a portfolio of 333 managed pubs, all located in the United Kingdom. Of these Non-Core Pubs, 66 are short leasehold and the remaining 267 are freehold or long leasehold.

The Non-Core Pubs comprise:

- 52 Scream bars (pubs focused on the student market)
- 71 Bars & Venues (music bars and late night entertainment venues)
- 75 Town Pubs (largely unbranded pubs in busy town centres)
- 67 Community Pubs (drinks-led pubs in residential areas competing against tenanted pubs)
- 68 other pubs

The financial performance of the Non-Core Pubs is summarised below and has been extracted from the financial information set out in Part IV of this document. Shareholders should read the whole of this document and should not rely solely on this summarised table.

(£ million)	52 weeks ended 29 September 2007	52 weeks ended 27 September 2008	52 weeks ended 26 September 2009
Turnover	254	246	243
EBITDA	70	64	55
Operating profit	53	47	38

The Non-Core Pubs are drinks-led with food contributing 13 per cent. of revenue in the 52 weeks to 26 September 2009. AWT for the Non-Core Pubs for the 52 weeks to 26 September 2009 was £14,000, 32 per cent. below that of the Continuing Group.

As at 10 April 2010, the net book value including capital creditors of the Non-Core Pubs was £438 million.

4. Principal terms and conditions of the Disposal

The Company and certain of the Company's subsidiaries, MAB Holdings (1), MAB Retail (2), MAB Retail 2 (3), MAB Leisure Retail (4) and Old Kentucky (5) (together with (2), (3) and (4), the **Sellers**), entered into a business sale agreement (the **BSA**) with Stonegate on 20 August 2010.

Under the BSA, Stonegate will acquire the Non-Core Pubs for a total cash consideration of £373 million (**Consideration**). The completion of the Disposal, in accordance with the BSA, is scheduled to take place on 14 November 2010 (**Completion**). In addition to the Consideration, Stonegate will pay the Sellers for stock and certain cash balances held at the Non-Core Pubs at Completion. As is customary for transactions involving the sale of assets, the Sellers will assume substantially all working capital liabilities of the Non-Core Pubs up to and at Completion. Stonegate will be entitled to the operating cash flows, subject to certain deductions including capital expenditure, generated by the Non-Core Pubs in the period between 20 August 2010 and Completion. Such operating cash flows are assumed to be approximately £10 million.

The Company, MAB Holdings, the Sellers and Stonegate have agreed to act together in order to realise cost benefits of £1.5 million per annum for Stonegate's group in respect of the Non-Core Pubs for a period of three years post-Completion subject to and in accordance with certain agreed principles. These cost benefits are to mitigate partially the additional cost that would accrue to Stonegate over the course of the first three years post-Completion in connection with operating the Non-Core Pubs as an independent group. To the extent cost benefits of a total of £4.5 million are not achieved over the three year period post-Completion, the Company will be required to pay any shortfall to Stonegate. Management of the Group is confident that these cost benefits will be realised in full.

Stonegate has agreed to pay a break fee of £18 million if it does not fulfil its obligations to complete the Disposal. If the Sellers do not fulfil their obligations to complete the Disposal, including if the Company's Shareholders do not approve the Disposal, the Sellers must pay to Stonegate a break fee of approximately £12 million, being no more than 1 per cent. of the Company's market capitalisation as at the close of trading on 19 August 2010.

The Sellers have agreed to provide transitional services to the Non-Core Pubs for a period of up to 39 weeks from Completion.

Completion of the Disposal is only conditional upon the approval of the Company's Shareholders at a General Meeting which is to be held at 2.30 p.m. on 26 October 2010.

Further details relating to the principal terms and conditions of the Disposal are set out in Part III of this document.

5. Financial effects of the Disposal and use of proceeds

The net cash proceeds from the Disposal are expected to be £363 million. This represents the total cash consideration of £373 million, cash to be received in relation to the business stock and cash of £5 million, adding the apportionment amount and deducting operating cash flows of £10 million and transaction fees of £5 million.

As set out in the Unaudited Pro Forma Statement of Net Assets in Part V of this document, the net proceeds for the Disposal will predominantly sit as cash within the Securitisation Group. In the short term, and subject to Trustee and rating agency approval, it is expected that certain assets of the Group will be transferred into the Securitisation Group in exchange for the extraction of the majority of the proceeds, thereby reducing the unsecured medium-term borrowings.

The Disposal is expected to be earnings dilutive initially prior to the reinvestment of the net proceeds. However, the Company intends to reinvest the net proceeds from the Disposal into opportunities offered in the informal eating out market where the Company's market leading brands deliver attractive growth prospects.

Taking into account the net proceeds of the Disposal, the pro forma net debt of the Continuing Group as at 10 April 2010 would have been £2.15 billion and it would have had net assets of £954 million. Please refer to Part V of this document for further details.

6. Current trends in trading and prospects

Current trading for the Continuing Group remains in line with the trading results reported on 23 September 2010.

For the Non-Core Pubs, sales decreased by 2.3 per cent. for the 51 weeks to 18 September 2010. Like-for-like sales for the 51 weeks to 18 September 2010 decreased by 2.2 per cent. Trading remains broadly in line with that performance.

7. General Meeting

Completion of the Disposal is conditional upon Shareholders' approval being obtained at the General Meeting. Accordingly, a notice convening a General Meeting to be held at 2.30 p.m. on 26 October 2010 at which the Resolution approving the Disposal will be proposed is set out in Part VIII of this document.

8. Action to be taken

You will find enclosed with this document a Form of Proxy for use at the General Meeting.

Whether or not Shareholders propose to attend the General Meeting in person, it is important that Shareholders complete and sign the enclosed Form of Proxy in accordance with the instructions printed thereon and return it to Equiniti as soon as possible and, in any event, **so as to be received not later than 2.30 p.m. on 24 October 2010**. The completion and return of a Form of Proxy will enable you to vote at the General Meeting without having to be present in person but will not preclude you from attending the General Meeting and voting in person if you so wish. If a Shareholder has appointed a proxy and attends the General Meeting in person, his proxy appointment will automatically be terminated and his votes in person will stand in his place.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to ID RA19 **so that it is received by no later than 2.30 p.m. on 24 October 2010**.

9. Additional Information and Risk Factors

Your attention is drawn to the additional information set out in Part VI of this document. Shareholders should read the whole of this document and not just rely on the summarised or key information set out in this letter. In particular, Shareholders should consider fully the risk factors associated with the Group and the Disposal and, in this regard, your attention is drawn to the risk factors as set out in Part II of this document.

10. Irrevocable undertakings and voting intentions

The Directors have given irrevocable undertakings to the Company to vote in favour of the Resolution to be proposed at the General Meeting (and to procure that such action is taken by the relevant registered holders) in respect of their beneficial holdings totalling 343,026 Shares, representing 0.08 per cent. of the issued Shares at the date of this document.

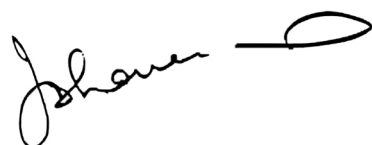
In addition, Piedmont Inc. and Elpida Group Ltd., have confirmed to the Company that they currently intend to support the proposed Disposal and vote in favour of the Resolution to be proposed at the General Meeting in respect of their combined beneficial holdings, currently totalling 164,741,802 Shares, representing 40.28 per cent. of the issued Shares.

11. Recommendation

The Board has received financial advice from Sapient Corporate Finance, J.P Morgan Cazenove and Nomura on the Disposal, and in giving its financial advice to the Board, Sapient Corporate Finance, J.P Morgan Cazenove and Nomura have relied on the Board's commercial assessment of the Disposal.

The Board considers that the Disposal is in the best interests of the Company and Shareholders as a whole. Accordingly, the Board recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

Yours faithfully,



John Lovering
Chairman
Mitchells & Butlers plc

PART II

RISK FACTORS

This Part II addresses certain existing and future material risks known to the Group and the Directors in relation to the Continuing Group and the Non-Core Pubs. These risks should be carefully considered by Shareholders when deciding what action to take at the General Meeting in relation to the Disposal. Shareholders should read the whole of this document and not rely solely on the information set out in this part.

Additional risks and uncertainties not known to the Directors at the date of this document, or that the Directors currently consider to be immaterial, may also have an adverse effect on the Group.

If any or a combination of the following risks and uncertainties actually materialise, the Group's business, financial condition or operating results could be materially and adversely affected. In such case, the market price of the Shares may decline and investors may lose all or part of their investment.

1. RISKS RELATING TO THE DISPOSAL

The Disposal may not progress or complete as expected

Completion of the Disposal is conditional upon the approval of Shareholders at the General Meeting. In the event that Shareholders do not pass the Resolution, the Disposal will not be completed and the Group will be liable to pay a break fee of approximately £12 million to Stonegate pursuant to the Break Fee Agreement, further details of which are set out in Part III of this document.

Furthermore, the Disposal will not complete if Stonegate does not comply with its obligations under the BSA. In these circumstances, Stonegate will become liable to pay an £18 million break fee to the Company (pursuant to the Break Fee Agreement, further details of which are set out in Part III of this document) but this may not fully compensate the Group for the Disposal failing to complete. In particular, if the Disposal does not complete, there can be no assurance that the Group will be able to dispose of the Non-Core Pubs either in a single transaction or multiple transactions and there can be no assurance that any such transactions would achieve the level of consideration to be paid by Stonegate in relation to the Disposal.

The Disposal may expose the Group to costs or other claims

If the Disposal is completed successfully, the BSA contains certain warranties and indemnities, which are customary for a transaction of this nature, in favour of Stonegate. If the Group incurs liabilities and costs under any of these warranties or indemnities, these costs could have an adverse effect on its business, financial condition and operating results. Further details of the BSA are set out in Part III of this document.

The Disposal will reduce the diversity of the Continuing Group

Following the Disposal, the operations of the Continuing Group will be smaller and less diverse. Should any of the risks relating to the Group in this Part II materialise and adversely affect the Continuing Group's business, this may have a larger impact than they would have had prior to the Disposal.

2. RISKS RELATING TO THE ECONOMIC ENVIRONMENT

Continuing adverse economic conditions may have a material adverse effect on the Group's results

The Group's operating and financial performance is affected by economic conditions in the United Kingdom where the effects of a severe economic downturn are still being experienced. Current economic conditions, including factors relating to the prevailing levels of employment, real disposable income, salaries, wage rates, market rent levels, availability of funding to third parties, business and consumer confidence, consumer demand, tourism and business and consumer perception of economic conditions, could result in further reductions in asset values (including the Group's properties), the Group's revenue and profitability. There can be no guarantee that the economy in the United Kingdom will improve in the short, medium or long term or that it will not deteriorate further. These factors could have a material adverse effect on the Group's business, financial condition and operating results.

The Group operates in a highly competitive market

The Group competes with a wide variety of pubs, restaurants, off-licences, supermarkets and take-aways as well as other leisure activity and home entertainment providers. Changes in consumer taste, demographic trends and competitor pricing strategies may affect the Group's business and operating results.

3. RISKS RELATING TO THE GROUP

Acquisitions and disposals to implement the Group's strategy

Risks inherent in the acquisition or disposal of businesses and brands may have an adverse impact on the Group's business and financial condition. The Group will continue to consider selective acquisitions of complementary businesses and contemplate disposals of non-core or under-performing businesses. Whilst these transactions are carefully planned, the rationale for them may be based on incorrect assumptions or conclusions and they may not realise the anticipated benefits or there may be other unanticipated or unintended effects.

There can also be no assurance that the Group will be able to make acquisitions and meet its expansion targets, whether due to a lack of suitable targets on acceptable terms, an inability to finance acquisitions, or regulatory or competition restrictions.

Successful disposals will depend on, amongst other things, the ability of potential acquirers to raise finance and overcome regulatory and/or competitive restrictions.

When an acquisition or disposal goes ahead, the Group may be exposed to potential liabilities and costs as a result of, amongst other things, the warranties and indemnities provided. Additionally, while the Group seeks protection, for example through warranties and indemnities in the case of acquisitions, significant liabilities may not be identified in due diligence or come to light after the expiry of a warranty or indemnity period. These factors may materially adversely impact the performance or financial condition of the Group.

The Company's ability to implement the strategy that it announced in March 2010 is dependent on suitable targets being available for acquisition and appropriate investment decisions being made in relation to such potential targets. Further, in implementing its strategy there is a risk that the time and efforts of key employees will be diverted away from the operation of the ongoing business of the Group which could have a material adverse effect on the Group's business, financial condition and operating results.

The Group may be adversely affected by an increase in operating costs

The Group's operating costs and other expenses could increase without a corresponding increase in turnover. Factors that could increase operating and other expenses include increases in the rate of cost inflation (including food prices and energy costs), increases in payroll (including any increases in the National Minimum Wage), taxes and other statutory charges, insurance premia, rent, rates and the costs of maintenance of properties and failure to perform by third parties and sub-contractors leading to increases in operating costs.

The Group has agreements with its key suppliers. Termination of these agreements, variation of their terms or the failure of a key supplier to comply with its obligations under these agreements (including if a key supplier were to become insolvent or experience other significant financial difficulties) could have a negative impact on the Group's ability to ensure supply levels, and could increase operating costs if it becomes necessary to find alternative suppliers. Such increases could have a material adverse effect on the Group's business, financial condition and operating results.

Failure to secure medium term funding and ability to comply with financial covenants

The ability of the Group to refinance its unsecured medium-term debt facility in November 2011, being more than 12 months from the date of this document, is dependent on a number of factors, including the Group's financial performance, general economic and political conditions, debt and equity capital market conditions, credit availability and the willingness of lending banks to lend to the leisure sector. As a result, the Group may be unable to refinance its existing debt facilities at maturity or may only be able to secure further funding at maturity at a significantly increased cost. This may have a material adverse effect on the Group's ability to implement business change initiatives and to achieve its strategic

objectives including acquisitions but is not expected to impact on the Group's day-to-day trading. This does not qualify in any way the working capital statement in paragraph 9 of Part VI of this document.

The terms of the Securitisation arrangements, in keeping with other securitisations of their type, contain financial covenants that test the performance of the Securitisation. Further details of these financial covenants are set out in paragraph 10 of Part VI of this document. Breach of any such financial covenant may result in an event of default in the Securitisation. Upon the occurrence of an event of default under the Securitisation, HSBC Trustee (C.I.) Limited (in its capacity as borrower security trustee) may, among other things, declare all of the loans made by the Securitisation issuer to MAB Retail (in its capacity as Securitisation borrower) immediately due and payable (which would, in turn, trigger mandatory prepayment of the Notes) and/or enforce any security provided by the borrower in connection with the Securitisation. This would have a material adverse effect on the Group's business, financial condition and operating results and on the Group's day-to-day trading.

The Group is affected by a high proportion of fixed overheads, which cannot easily be reduced in response to variable revenues

A high proportion of the Group's overheads and certain other costs remain constant even if its revenues drop. For example, the expense of owning and operating managed pubs cannot be significantly reduced when circumstances such as market and economic factors and competition cause a reduction in revenues.

The Group may be adversely affected by poor pricing policies

If the Group fails to price the products that it sells at the right level, volume declines will occur if the price is too high, or insufficient margin will be achieved if the price is too low, thereby impacting on the profitability of the Group.

Pension fund deficit increases further

The Group is obliged by law to maintain a minimum funding level in relation to its ongoing obligation to provide current and future pensions for the members of its schemes who are entitled to defined benefits. In addition to this, if any scheme is wound up, the Group could become statutorily liable to make an immediate payment to the trustees of the pension schemes to bring the funding of these defined benefits to a level which is higher than this minimum. Further, the Group must pay contributions into the Mitchells & Butlers Pension Plan as decided by the trustees, after having consulted with the Company and taken actuarial advice, and these must be set with a view to making prudent provision for the benefits accruing under the plan. The Group must also pay contributions into the Mitchells & Butlers Executive Pension Plan as decided by the trustees, after having consulted with the Company and taken actuarial advice, with a view to making advance provision for the benefits under the plan.

Structure of the Board and executive committee

The Group's continued success is dependent on the ongoing services of a number of senior officers and employees, and certain other front line roles. Many of these employees have significant experience in the licensed retail industry and could be difficult to replace. The Group's continued success is also dependent on its ability to continue to attract, motivate and retain high quality personnel. Any re-structuring of the Board and the executive committee of the Company leaves the Group exposed to insufficient resources, loss of skills, experience and knowledge, such that business performance could be adversely impacted and the strategy not achieved.

Publicity and branding

The Group operates a number of brands. If an event occurred that materially damaged the reputation of any of these brands or the Group or there was a failure to sustain the appeal of the Group's brands to its customers, this could have an adverse impact on the Group's earnings, assets and value.

Unfavourable publicity concerning any of the Group's brands or substantial erosion in the reputation of, or value associated with, the Group's brands could have an adverse effect on the Group's business, financial condition and operating results. The Group will need to continue to invest in its intellectual property rights and brands, but if it does not invest effectively and sufficiently in respect of such, the Group's business, financial condition and operating results could be adversely affected.

The Group relies on a combination of trademarks, copyright, trade secrets and other contractual restrictions to establish and protect proprietary rights in its products and brands. These proprietary rights and contractual restrictions provide only limited protection. There can be no assurance that these

proprietary rights and contractual restrictions will be adequate to protect the misappropriation, infringement or other unauthorised use of the Group's intellectual property rights by third parties which could diminish brand value and harm the business.

Upon completion of the Disposal (in which certain brands such as Scream are being sold), a number of the Continuing Group's properties will need to be rebranded. There can be no assurance that these rebranded sites will continue to achieve the same operating results.

The business continuity plan fails to mitigate disruption

To varying degrees, the Group is reliant upon technologies, systems and processes for the running of its businesses. Any disruption to those technologies, systems or processes could adversely affect the efficiency of the business. A failure of the Group's business continuity plan to mitigate any disruption, or a failure of supplier continuity plans could impact upon, amongst other things, the supply chain and customer/staff levels, which would ultimately harm performance of the Group.

Investment in new technology

The Group may have to make substantial investments in new technologies or systems to remain competitive. The technologies or systems that the Group chooses may not be commercially successful or the technology or system strategy employed may not be sufficiently aligned with the needs of the business or responsive to changes in business strategy. As a result, the Group could lose customers, fail to attract new customers or incur substantial costs or face other losses.

Inclement weather could have an adverse effect on the Group's revenue

Attendance at the Group's pubs, bars and restaurants is generally higher during holiday periods, such as Christmas and New Year, and over bank holidays. Outside of holiday periods, the frequenting of pubs and bars is slightly lower during the winter months than in the summer. Attendance levels at the Group's pubs, bars and restaurants may be adversely affected by persistent rain or inclement weather. This could have a negative effect on the revenue generated by the Group's pubs, bars and restaurants and, in turn, impact the Group's operating results and financial condition.

The failure of key sporting teams to perform well could negatively effect revenue

Key sporting events, such as football tournaments, cricket tournaments or rugby union involving national teams or major club sides, have the potential to add incremental sales in those pubs where such sporting events are screened for customers. The failure of major national or club teams to qualify for or to perform well in such key sporting events could negatively affect sales in the Group's pubs and bars, just as the success of such teams could positively affect sales.

4. RISKS RELATING TO REAL ESTATE

The Group may be subject to liability for leasehold properties which it has sold to third parties

The Group has sold a number of pubs, bars and restaurants to third parties over the years. Disposals have been by way of the sale of individual pubs and as portfolios. When the properties disposed of are leasehold properties, the Group typically remains liable to perform the tenant's obligations in the lease in the event that the purchaser fails to do so under an authorised guarantee agreement. Although purchasers are generally required to indemnify the Group against this contingent liability, if the Group is unable to recover pursuant to the indemnity due to the insolvency of the purchaser or otherwise, the Group may suffer a loss due to its obligations under the lease. This could affect the Group's operating results, financial condition and prospects.

The property market is subject to fluctuations and volatility

The property market is subject to fluctuations and if the property market experiences a downturn this could lead to a substantial reduction in the Group's property values over time. There can be no certainty in such circumstances that property values will recover at any particular time or at all. In addition, valuations of pubs are affected by their trading performance, with poorer trading generally leading to lower valuations. The valuation of property and property-related assets is inherently subjective and as a result subject to uncertainty. Moreover, all property valuations are made on the basis of assumptions which may prove not to reflect the true position. There is no assurance that valuations of the Group's properties will reflect actual sale prices.

Capital expenditure and investment in the properties

In order to maintain its properties to the relevant standards, the Group is required to spend sufficient amounts of capital on its properties. There is no assurance that sufficient and appropriate levels of capital to be spent in relation to the Group's properties can be correctly predicted or determined and if insufficient or inappropriate levels of capital are spent, this may impact on the Group's operating results and financial condition.

The Group may incur environmental liabilities resulting from ownership of property

The Board views the assessment of environmental risk as an important element of its due diligence process when it acquires properties. However, there can be no guarantee that the Group will not incur unexpected liabilities such as clean-up costs and fines for environmental pollution in respect of properties owned by the Group.

The costs of any required clean-up or fines for environmental pollution may be substantial regardless of whether the Group originally caused the relevant contamination. The presence of hazardous or toxic substances, or the failure to remedy the situation properly, may also adversely affect the value of the relevant property or the Group's ability to sell, let or regenerate that property or to borrow using the property as security. The Group could be required to remove or remediate any hazardous substances that it has caused or knowingly permitted to be located at any property that it has owned or occupied in the past or which it may own in the future.

5. RISKS RELATING TO THE LEGAL/REGULATORY ENVIRONMENT

The Group may be affected by political, legal and regulatory developments

Future political, legal or regulatory developments concerning the businesses of the Group and the industry sectors in which it operates may affect its ability to operate and trade profitably. The Group operates in a heavily regulated sector, and changes such as smoking bans, the National Minimum Wage and licensing laws can have a significant impact on its business. The introduction of a minimum price level for alcohol and subsequent rises in such minimum prices could have an impact on the Group's business. Political risks include the imposition of trade barriers and the volatility of input costs, selling prices and currencies.

The Group is exposed to financial risks from increases in tax rates and changes in the basis of taxation, including duty on alcoholic beverages, corporation tax and VAT. The Government imposed a duty escalator which commenced from 23 April 2009, pursuant to which duties on alcohol will automatically rise each year by 2 per cent. above the retail prices index. It is also currently proposed that the rate of VAT will be increased to 20 per cent. in January 2011.

To the extent that the Group does not pass any such duty or VAT increases on to its retailers and customers, this will reduce the Group's margins and could consequently have an adverse effect on the Group's operating results, financial condition and prospects. If the Group does pass these duty or VAT increases on to its retailers and customers, it could result in decreased demand and consequently could also have an adverse effect on the Group's operating results and financial condition.

United Kingdom Government sponsored campaigns against excessive drinking and changes in drink driving laws may reduce demand for the Group's alcoholic beverages

Government initiatives to deal with binge drinking might impact the manner in which all pubs operate and could take effect regardless of the past record of individual pubs. Measures such as raising the legal drinking age to 21 or the introduction of minimum prices for drinks may reduce the flexibility of the Group to implement strategies that they consider most likely to maximise profitability, and accordingly could have an adverse impact on the Group's operating results, financial condition and prospects.

An increased focus on the potentially harmful effects of alcohol may reduce sales of alcoholic beverages and thus adversely impact the Group's operating results and financial condition.

As car drivers and passengers account for a significant proportion of pub customers in the United Kingdom, the implementation of any legislation to reduce further the legal blood alcohol limit for drivers in the United Kingdom could result in customers in the Group's rural and suburban pubs drinking less or frequenting pubs less often, which could lead to a reduction in revenue in those pubs and a decline in the Group's overall income from the sale of alcoholic drinks. This, in turn, could have a negative impact on the Group's operating results, financial condition and prospects.

Failure to operate safely and legally

The Group needs to comply with regulations relating to, amongst others, planning, land use, building regulation standards, health and safety, environmental matters and employment. Significant events or breaches or violations of applicable laws or regulations could result in restrictions on operations, damages, fines, litigation and/or other sanctions and/or result in the Group incurring liabilities which, in turn, could have a material adverse effect on the Group's businesses, financial condition or operating results or adversely affect the value of the Group's assets. Changes in the legal framework in particular concerning planning, land use and building regulation standards, may negatively influence property values.

As the Group is a significant on-trade caterer, there is the potential that there might be a major health and safety failure leading to illness, injury or loss of life or significant damage to its reputation.

A major national or international health scare or food scare affecting food sold by the Group could have an impact on consumer preferences or increase the cost of sourcing alternative suppliers. The Group's reputation may suffer as a result or be subject to regulatory action. A prolonged scare or negative publicity could have an adverse impact on the Group's business, financial condition and operating results.

Incidents involving the abuse of alcohol, use of illegal drugs and violence on the Group's premises may occur or may increase in frequency. Such activity may directly interrupt the operations of the Group and could also result in litigation or regulatory action, either of which could adversely affect the Group's business, financial condition and operating results.

The Group may experience delays and failures in obtaining and retaining required licenses

Difficulties or failures in maintaining the required licenses or approvals for the sale of alcohol could delay or prohibit the operation of the Group's pubs, bars and restaurants. If any of the Group's licenses were withdrawn or amended, the profitability of the affected pub may be adversely affected and this may have a negative impact on the Group's business, financial condition and operating results.

Licensing requirements which affect the Group's pubs are subject to change, and additional or more stringent requirements may be imposed on the Group's operations in the future. This may reduce the ability of the Group to sell alcoholic drinks, which could have an adverse effect on the Group's business, financial condition and operating results.

6. RISKS RELATING TO SHARES

The price of the Shares may fluctuate

Shares are risky investments and share prices have been and remain volatile, which could result in investors being unable to realise the amount originally invested. Shareholders should be aware that the value of shares can decrease as well as increase and may not always reflect the underlying value or prospects of the Company or the Continuing Group. Furthermore, the price of the Shares may fall in response to market appraisal of its current strategy or if the Continuing Group's operating results and/or prospects from time to time are below the prior expectation of market analysts and investors.

PART III
PRINCIPAL TERMS OF THE DISPOSAL DOCUMENTS

1. Overview

The Company and certain of the Company's subsidiaries, MAB Holdings (1), MAB Retail (2), MAB Retail 2 (3), MAB Leisure Retail (4) and Old Kentucky (5) (together with (2), (3) and (4), the **Sellers**), entered into a business sale agreement (the **BSA**) on 20 August 2010 with Stonegate, pursuant to which the Sellers conditionally agreed to sell the Non-Core Pubs to Stonegate for a total cash consideration of £373 million.

In addition, on 20 August 2010, MAB Retail, Old Kentucky and Stonegate entered into a transitional services agreement which will take effect upon Completion of the BSA (the **TSA**).

On 20 August 2010, MAB Retail, MAB Retail 2 and Stonegate also entered into a break fee agreement (the **Break Fee Agreement**).

2. Summary of the key terms of the BSA

Overview

Under the terms of the BSA, the Sellers have agreed to sell, and Stonegate has agreed to purchase, the Non-Core Pubs on Completion. The Non-Core Pubs comprise 333 sites and include certain accompanying assets, including certain intellectual property rights (including all rights owned by members of the Group in the Scream, Reflex, Flares, Goose, Samuel Cooper, Cornerstone, Babylon and Edwards brands), commercial contracts specific to the Non-Core Pubs and employees (who will transfer to Stonegate under the Transfer of Undertakings (Protection of Employment) Regulations 2006).

Condition to Completion

The obligations to sell and purchase the Non-Core Pubs under the BSA are conditional upon the Company obtaining Shareholder approval for the Disposal. Subject to the satisfaction of this condition, Completion is due to take place on 14 November 2010 (or such later time and date as the parties may agree).

Consideration

The consideration for the sale of the Non-Core Pubs is £373 million which is payable by Stonegate in cash on Completion. In addition to this amount, Stonegate will pay on Completion estimated amounts in respect of stock and certain cash balances held at the Non-Core Pubs and such amounts will be subject to adjustment post-Completion. As is customary in asset transactions, the Sellers will assume substantially all working capital liabilities of the Non-Core Pubs up to and at Completion. The total amount payable by Stonegate on Completion is also subject to adjustment for estimated apportionments at Completion (apportioned prepayments less apportioned accruals), which principally relate to rents, rates, utilities, other property costs and salaries in respect of the Non-Core Pubs. This estimated amount is, itself, subject to adjustment post-Completion.

Stonegate will be entitled to the operating cash flows, subject to certain deductions including capital expenditure, generated by the Non-Core Pubs in the period between 20 August 2010 and Completion. Such operating cash flows are assumed to be approximately £10 million and, accordingly, the relevant amount shall be deducted from the cash consideration payable by Stonegate on Completion. In addition, if the lease of one of the Non-Core Pubs has not been renewed prior to Completion, the amount of the overall consideration attributable to this site will be deducted from the amount payable by Stonegate at Completion and will, instead, be payable by Stonegate at a later date after the lease is renewed and can be transferred to it (subject to such transfer occurring by 24 December 2012).

Under the terms of an equity commitment letter addressed to the Company, MAB Holdings, the Sellers and Stonegate, the TDR Partnerships have severally agreed to fund Stonegate to enable it to make all payments due by it under the BSA (including pursuant to the post-Completion adjustments).

Pre-Completion covenants

The Sellers have agreed, and MAB Holdings has agreed to procure, that between 20 August 2010 and Completion, the Non-Core Pubs will continue to be operated as a going concern in the ordinary and usual course.

Annual cost benefit obligation

The Company, MAB Holdings, the Sellers and Stonegate have agreed to act together in order to realise cost benefits of £1.5 million per annum for Stonegate's group in respect of the Non-Core Pubs for a period of three years post-Completion subject to and in accordance with certain agreed principles. These cost benefits are to mitigate partially the additional cost that would accrue to Stonegate over the course of the first three years post-Completion in connection with operating the Non-Core Pubs as an independent group. To the extent cost benefits of a total of £4.5 million are not achieved over the three year period post-Completion, the Company will be required to pay any shortfall to Stonegate. Management of the Group is confident that these cost benefits will be realised in full.

Warranties and Indemnities

As is customary for a transaction of this type, standard warranties have been given by the Sellers in relation to the Non-Core Pubs. No warranties are being given by the Company and MAB Holdings save in relation to capacity and authority.

The warranties are subject to certain financial and other customary limitations.

The Sellers have also agreed to indemnify Stonegate in respect of certain post-Completion matters as is customary on disposals of assets. The warranties and indemnities are subject to the total cap referred to in "Liability" below.

Liability

The total liability of the Group to Stonegate for all claims under the BSA is capped at £100 million.

No termination rights

Save in respect of certain material breaches of the BSA by the Sellers or in the case of fraud, Stonegate shall not be entitled to rescind or terminate the BSA in any circumstances whatsoever (whether before or after Completion).

Governing law

The BSA is governed by English law save in relation to the Non-Core Pubs which are located in Scotland, in respect of which Scottish law will apply.

3. Summary of the key terms of the TSA

Overview

The TSA will take effect on Completion and will continue for a maximum period of 39 weeks post-Completion. Under the TSA, MAB Retail has agreed to provide certain human resources, operational, information technology and other support services and procure the supply of goods and services for the Non-Core Pubs under existing third party contracts to Stonegate. In addition, Old Kentucky will grant licences of certain intellectual property rights to Stonegate for the duration of the TSA.

Charges and invoicing

The charges payable by Stonegate for the transitional services will comprise: (i) a fixed service charge per Non-Core Pub per week for the provision of the transitional services; (ii) an IT upgrade charge per Non-Core Pub in relation to the upgrade of the software in the retail tills which will occur at each of the Non-Core Pubs after Completion; and (iii) goods and services at cost.

During the term of the TSA, the Sellers will continue to collect and receive all monies taken in relation to each of the Non-Core Pubs and will, on a weekly basis, remit the majority of such monies to Stonegate. The balance of such monies will be paid to Stonegate following a reconciliation exercise either when a Non-Core Pub is removed from the TSA arrangements or at the end of the TSA arrangements as a whole.

Service levels

The service levels and systems are to be provided and performed to the same standard as the equivalent services were provided to the Non-Core Pubs during the 12 months prior to Completion.

Termination

Stonegate may remove Non-Core Pubs from the scope of the TSA in groups of no less than 25 pubs by giving MAB Retail a minimum of 10 business days' written notice. A minimum of 50 Non-Core Pubs must be maintained during the term of the TSA.

Stonegate may terminate the TSA at any time by giving 12 weeks' written notice to MAB Retail. Either party may terminate the TSA with immediate effect if an insolvency event occurs in relation to the other party or upon material breach of either the TSA or the BSA. MAB Retail may terminate the TSA by giving written notice to Stonegate if Stonegate fails to pay an undisputed amount due under the TSA or if TDR Capital, its related funds or associates cease to control Stonegate.

Liability

The total liability of MAB Retail in respect of all claims by Stonegate under the TSA is the higher of the total service charge payable for the Non-Core Pubs over a 12 week period or the service charge actually paid by Stonegate to MAB Retail under the TSA.

Governing law

The TSA is governed by English law.

4. Summary of the key terms of the Break Fee Agreement

On 20 August 2010 and in support of the obligations under the BSA, MAB Retail, MAB Retail 2 and Stonegate entered into the Break Fee Agreement. Under the Break Fee Agreement, Stonegate has agreed to pay a break fee of £18 million (inclusive of any applicable VAT) if (i) its solicitors fail to give an undertaking to the Company's solicitors to hold the purchase price payable by Stonegate at Completion to the order of the Company's solicitors; or (ii) it notifies either MAB Retail or MAB Retail 2 that it is no longer willing to proceed with the Disposal.

In return, MAB Retail and MAB Retail 2 have severally agreed to pay a break fee of approximately £12 million (inclusive of any applicable VAT), being no more than 1 per cent. of the Company's market capitalisation as at the close of trading on 19 August 2010 (being the day prior to signing of the BSA), if either: (i) the Shareholders do not approve the Disposal at the General Meeting; (ii) if certain material deliverables are not delivered by the Sellers at Completion; (iii) if any of the Non-Core Pubs are sold or are agreed to be sold to a party other than Stonegate; or (iv) if either MAB Retail or MAB Retail 2 notifies Stonegate that it is no longer willing to proceed with the Disposal.

Under the terms of an equity commitment letter addressed to the Company, MAB Holdings, the Sellers and Stonegate, the TDR Partnerships have severally agreed to fund Stonegate to enable it to make any payments due by it under the Break Fee Agreement.

PART IV
FINANCIAL INFORMATION ON THE NON-CORE PUBS

1. Nature of financial information

The following financial information, which represents financial information relating to the Non-Core Pubs which make up the Disposal, has been extracted without material adjustment from the consolidation schedules which support the consolidated audited accounts of the Group for the years ended 29 September 2007, 27 September 2008 and 26 September 2009 and the consolidated unaudited half year results of the Group for the 28 weeks ended 10 April 2010. Shareholders should read the whole of this document and not just rely on the information contained in this Part IV.

The financial information contained in paragraphs 2 and 3 of this Part IV does not constitute statutory accounts for any company within the meaning of section 240 of the 2006 Act. The statutory accounts for the Group in respect of the financial years ended 29 September 2007, 27 September 2008 and 26 September 2009 have been delivered to the Registrar of Companies. The auditors' reports in respect of those statutory accounts for the three years were unqualified and did not contain statements under section 237(2) or (3) of the 2006 Act. Ernst & Young LLP were the auditors of the Group in respect of the years ended 29 September 2007, 27 September 2008 and 26 September 2009.

2. Income statements

	2007	2008	2009
	£m	£m	£m
Revenue	254	246	243
Operating costs	(184)	(182)	(188)
EBITDA⁽ⁱ⁾	70	64	55
Depreciation	(17)	(17)	(17)
Operating profit⁽ⁱⁱ⁾	53	47	38

Notes

- i. *This represents earnings before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio with respect of the Non-Core Pubs.*
- ii. *As the Group's interest bearing debt is arranged at a group level rather than at a site level, it is not possible to provide a meaningful allocation between sites. Accordingly, for each of the years ended 29 September 2007, 27 September 2008 and 26 September 2009, the Group did not allocate its interest-bearing debt to the Non-Core Pubs. Taxation charges have also not been allocated as such charges would be dependent on interest expense allocations.*

3. Net assets as at 26 September 2009 and 10 April 2010

	2009 £m	H1 2010 £m
Assets		
Property, plant and equipment	440	438
Total non-current assets	440	438
Inventories	4	4
Trade and other receivables	1	2
Cash and cash equivalents	1	1
Total current assets	6	7
Total assets	446	445
Liabilities		
Trade and other payables	(1)	(1)
Total current liabilities	(1)	(1)
Total liabilities	(1)	(1)
Net assets	445	444

PART V

SECTION A – UNAUDITED PRO FORMA FINANCIAL INFORMATION

The pro forma financial information for the Continuing Group set out in this Part V has been prepared to illustrate the effect on the net assets of the Group if the Disposal had completed on 10 April 2010. The Disposal is the sale of the Non-Core Pubs to Stonegate for a consideration of £373 million. The pro forma financial information is for illustrative purposes only. Due to its nature, the pro forma financial information addresses a hypothetical situation and does not, therefore, represent the Continuing Group's actual financial position or results. The pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex 1 and 2 of the Prospectus Rules.

Unaudited pro forma statement of net assets of the Continuing Group

	Unaudited information: Group as at 10 April 2010 (note(i))	Pro forma adjustments		Continuing Group
		Elimination of assets and liabilities being disposed of: Non-Core Pubs as at 10 April 2010 (note(ii))	Use of proceeds (note(iii))	
	£m	£m	£m	£m
Assets				
Property, plant and equipment	4,338	(438)	–	3,900
Lease premiums	9	–	–	9
Deferred tax asset	93	–	–	93
Derivative financial instruments	18	–	–	18
Total non-current assets	4,458	(438)	–	4,020
Inventories	37	(4)	–	33
Trade and other receivables	50	(2)	–	48
Current tax asset	–	–	–	–
Cash collateral deposits	2	–	–	2
Cash and cash equivalents	110	(1)	363	472
Total current assets	199	(7)	363	555
Non-current assets held for sale	124	–	–	124
Total assets	4,781	(445)	363	4,699
Liabilities				
Borrowings	(55)	–	–	(55)
Derivative financial instruments	(49)	–	–	(49)
Trade and other payables	(284)	1	–	(283)
Current tax liabilities	(15)	–	–	(15)
Total current liabilities	(403)	1	–	(402)
Borrowings	(2,592)	–	–	(2,592)
Derivative financial instruments	(65)	–	–	(65)
Pension liabilities	(147)	–	–	(147)
Deferred tax liabilities	(539)	–	–	(539)
Provisions	–	–	–	–
Total non-current liabilities	(3,343)	–	–	(3,343)
Total liabilities	(3,746)	1	–	(3,745)
Net assets	1,035	(444)	363	954

Notes

- i. The consolidated net assets of the Group at 10 April 2010 have been extracted, without material adjustment, from the unaudited half year results for the Group for the 28 weeks ended 10 April 2010.*
- ii. The net assets of the Non-Core Pubs at 10 April 2010 have been extracted without material adjustment from Part IV of this document.*
- iii. This represents net proceeds of £363 million, being the net of the total cash consideration of £373 million, cash to be received in relation to the business stock and cash of £5 million, adding the apportionment amount and deducting operating cash flows of £10 million and transaction fees of £5 million. The net proceeds have been assumed to increase cash by £363 million. As noted in Part I of this document the net proceeds will predominantly sit within the Securitisation Group. In the short term and subject to Trustee and rating agency approval, it is expected that certain assets of the Group will be transferred into the Securitisation Group in exchange for the extraction of the majority of the proceeds, thereby reducing the unsecured medium-term borrowings.*
- iv. Since 10 April 2010, but before 7 October 2010, the Group has completed the disposal of Hollywood Bowl and the majority of the lodge business for an aggregate consideration of £127 million. No account has been taken of these disposals in the pro forma financial information presented above.*
- v. No account has been taken of the trading of the Continuing Group or the Non-Core Pubs since 10 April 2010 or of any other event or transaction save as disclosed above.*
- vi. Taking into account the net proceeds of the Disposal, the pro forma net debt of the Continuing Group as at 10 April 2010 would have been £2.15 billion and it would have had net assets of £954 million.*

SECTION B – ACCOUNTANTS’ REPORT ON PRO FORMA FINANCIAL INFORMATION



Ernst & Young LLP
No.1 Colmore Square
Birmingham
B4 6HQ

Tel: 0121 535 2000
Fax: 0121 535 2001
www.ey.com/uk

The Directors
Mitchells & Butlers plc
27 Fleet Street
Birmingham
B3 1JP

7 October 2010

Dear Sirs

We report on the pro forma financial information (the *Pro Forma Financial Information*) set out in Section A of Part V of the circular dated 7 October 2010, which has been prepared on the basis described in notes i – vi, for illustrative purposes only, to provide information about how the Disposal might have affected the financial information presented on the basis of the accounting policies adopted by Mitchells & Butlers plc in preparing the unaudited half year results for the 28 weeks ended 10 April 2010. This report is required by Listing Rule 13.3.3R and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to the Shareholders as a result of the inclusion of this report in the circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the circular.

Responsibilities

It is the responsibility of the Directors of Mitchells & Butlers plc to prepare the Pro Forma Financial Information in accordance with Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as required by Listing Rule 13.3.3R as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We have conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors of Mitchells & Butlers plc.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Mitchells & Butlers plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Mitchells & Butlers plc.

Yours faithfully

Ernst & Young LLP

PART VI
ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names are set out on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated and registered in England and Wales on 2 October 2002 under the Companies Act 1985 as a public company limited by shares, with registered number 04551498 and with the name Hackplimco (No. 111) Public Limited Company. The Company subsequently changed its name to Mitchells & Butlers plc on 5 February 2003. The principal legislation under which the Company operates is the 2006 Act and the regulations made thereunder. The Shares are admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities.

The registered office of the Company is 27 Fleet Street, Birmingham, B3 1JP (telephone: +44 (0)870 609 3000; fax: +44 (0) 121 233 2246).

3. Directors

The names of the Directors and their principal functions at the date of this document are as follows:

John Lovering	<i>Chairman</i>
Adam Fowle	<i>Chief Executive</i>
Michael Balfour	<i>Non-Executive Director</i>
Jeremy Blood	<i>Non-Executive Director</i>
Simon Burke	<i>Non-Executive Director, Deputy Chairman, Senior Independent Director</i>
Sir Tim Lankester	<i>Non-Executive Director</i>
Ron Robson	<i>Non-Executive Director</i>

The Directors have their business address at 27 Fleet Street, Birmingham, B3 1JP.

4. Interests of the Directors

At 6 October 2010 (being the latest practicable date prior to the publication of this document), the interests of the Directors in the Shares (all of which are beneficial) were as follows:

Director	Number of Shares	Percentage of Shares
John Lovering	150,000	0.037%
Adam Fowle	77,927	0.019%
Michael Balfour	100,000	0.024%
Jeremy Blood	—	—
Simon Burke	9,828	0.002%
Sir Tim Lankester	5,271	0.001%
Ron Robson	—	—

The shareholding for Adam Fowle set out above includes the shares held on his behalf by the trustee of the Company's Share Incentive Plan, full details of which are set out below.

Share Incentive Plan (SIP)

As at 6 October 2010, the Executive Director had the following entitlements subject to the rules of the all-employee Share Incentive Plan:

Director	Award date	Normal vesting date	Shares held at 7 October 2010
Adam Fowle	29 June 2007	29 June 2010	224
	30 June 2008	30 June 2011	1,060
	30 June 2009	30 June 2012	1,102
	30 June 2010	30 June 2013	1,073
TOTAL			<u>3,459</u>

As an Executive Director, Adam Fowle is also interested in unissued Shares under share options held by him pursuant to the Share Schemes as follows:

Performance Restricted Share Plan (PRSP)

The table below shows the maximum options exercisable for nominal consideration, once the relevant performance conditions have been satisfied, determination of which is usually agreed in November following the end of the performance period.

Director	Grant date	Price per entire option	Number of shares under option	End of performance period
Adam Fowle	23 June 2008	100.00p	290,844	30 September 2010
	28 November 2008	100.00p	293,852	30 September 2011
	30 November 2009	100.00p	304,346	30 September 2012
			<u>889,042</u>	

Executive Share Option Plan (EXSOP) and Sharesave Plan

The table below shows outstanding shares under option granted under the EXSOP and Sharesave plans.

Director	Grant date	Option type	Option price per share	Number of shares under option	Lapse date
Adam Fowle	24 May 2005	EXSOP approved	326.10p	9,199	24 May 2015
	24 May 2005	EXSOP unapproved	326.10p	110,971	24 May 2015
	25 June 2008	Sharesave	259.00p	6,283	31 March 2014

Short-Term Deferred Incentive Plan (STDIP)

The table below shows the maximum number of shares receivable under the STDIP. The number of matching shares receivable is based on some or all, as determined by the Remuneration Committee, of the Executive Director's annual bonus being deferred into a share award. Matching share awards have a performance condition. Deferrals under the STDIP for the current financial period and for future financial periods have no matching share award element.

Director	Matching shares	Bonus shares	Award date	Total shares	Release date
Adam Fowle	19,331	19,331	2 December 2008	38,662	25 November 2011

Long Term Incentive Plan (LTIP)

Shareholders approved a new Long Term Incentive Plan at a general meeting held on 29 July 2010. Executive Director Adam Fowle is entitled to participate in the LTIP. Adam Fowle was allocated a conditional award under the LTIP on 30 July 2010, equal to 10 per cent. of the LTIP pool payable. The number of shares potentially receivable will not be determined until November 2013 when the relevant performance conditions, which relate to increase in market capitalisation and earnings per share, have been measured. Full details regarding the LTIP are set out in the related circular available online at www.mbplc.com.

Save as disclosed above, none of the Directors has any interest in the share capital of the Company.

5. Service contracts of the Executive Director and letters of engagement of Non-Executive Directors

In accordance with the Financial Reporting Council's UK Corporate Governance Code, each of the Directors intends to stand for re-election on an annual basis.

Executive Director

The Executive Director is Adam Fowle, who has a service contract with the Company entered into with effect from 3 August 2009. Under the service contract, the Executive Director is required to work a minimum of 35 hours per week and such additional hours as the requirements of his duties dictate.

The service agreement is terminable on 52 weeks' notice from the Company and 26 weeks' notice from the Executive Director. The current annual salary and pension contributions of the Executive Director are set out below:

Director	Responsibility	Annual Salary	Pension Contribution
Adam Fowle	Chief Executive	£550,000	£97,518 (amount payable in respect of pension opt out, net of employer's National Insurance)

There is a non-contractual obligation that, within five years of the appointment as an Executive Director, the Executive Director must achieve and maintain a stock holding equivalent to his basic annual salary in Shares in the Company.

The Executive Director is entitled to benefits under the Company's defined contribution pension scheme pursuant to which the Company will match four times of up to five per cent. of the Executive Director's basic salary, creating a maximum contribution of 20 per cent. of the Executive Director's basic salary. The Executive Director is entitled to participate in the Company's Short Term Deferred Incentive Plan up to a maximum of 100 per cent. of plan salary of which at least 50 per cent. must be deferred. The Executive Director is also entitled to participate in the Performance Restricted Share Plan up to a maximum award of 200 per cent. of salary and in the LTIP. The Company has confirmed that no further grants will be made to Executive Directors under the PRSP whilst they are also participating in the LTIP. The Executive Director is entitled to a fully funded company car and he and his family are entitled to participate in the Company Private Healthcare Plan. The Executive Director is entitled to five weeks' holiday per annum.

Non-Executive Directors

Each of the Non-Executive Directors has a letter of appointment with the Company. John Lovering receives an annual fee of £350,000 for his role as Chairman. The other Non-Executive Directors receive a basic fee of £40,000 for services as Non-Executive Directors. Further responsibilities, such as membership of the Remuneration or Audit Committees, are separately remunerated as described further below.

The dates, period and terms of appointments of the Non-Executive Directors are as follows:

John Lovering, Chairman and Chairman of Nomination Committee: Appointed as Chairman on 28 January 2010 and Chairman of the Nomination Committee on 2 February 2010. Mr Lovering's appointment can be terminated on six months' notice by either himself or the Company. Mr Lovering's appointment is subject to re-election at the next AGM and, subsequently, at each third AGM and may automatically terminate after nine years on independence grounds.

Mr Lovering's first year fee was used to purchase Shares in the Company on 24 March 2010; these Shares must be held for the longer of his tenure as Chairman or 12 months. Mr Lovering must repay a pro rata amount of his fee if he ceases to act as Chairman prior to 28 January 2011.

Michael Balfour, Chairman of Remuneration Committee and member of Nomination and Audit Committees: Appointed as a Non-Executive Director on 28 January 2010 and Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees on 2 February 2010. Mr Balfour's fees are £102,000 of which £40,000 represents his basic fee as a Non-Executive Director; £6,000 is for membership of the Remuneration Committee; £6,000 is for membership of the Audit Committee and £50,000 is for the Chairmanship of the Remuneration Committee. Mr Balfour used his fee of £102,000 to purchase Shares in the Company on 24 March 2010; the Shares must be held for the longer of his tenure as Non-Executive Director or 12 months. A pro rata amount must be repaid if Mr Balfour ceases to be Chairman of the Remuneration Committee prior to 28 January 2011.

Mr Balfour's appointment is subject to re-election at the next AGM and, subsequently, at each third AGM and may automatically lapse after nine years on grounds of independence.

Jeremy Blood, member of Remuneration and Audit Committees: Appointed as a Non-Executive Director on 28 January 2010 and as a member of the Remuneration and Audit Committees on 2 February 2010. Mr Blood's fees are £52,000 of which £40,000 represents his basic fee as a Non-Executive Director; £6,000 is for membership of the Remuneration Committee and £6,000 is for membership of the Audit Committee.

Mr Blood's appointment is subject to re-election at the next AGM and, subsequently, at each third AGM and may automatically lapse after nine years on grounds of independence.

Simon Burke, Deputy Chairman, Senior Independent Director, Chairman of Audit Committee and member of Remuneration and Nomination Committees: Appointed as a Non-Executive Director on 28 January 2010, as Deputy Chairman and Senior Independent Director on 3 February 2010 and as Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees on 2 February 2010. Mr Burke's fees are £125,000 of which £40,000 represents his basic fee as a Non-Executive Director and £85,000 is for the Deputy Chairmanship. Mr Burke used £50,000 of his annual fee to purchase Shares in the Company on 24 March 2010; the Shares must be held for the longer of his tenure as Non-Executive Director or 12 months. A pro rata amount of the £50,000 must be repaid if Mr Burke ceases to be Deputy Chairman prior to 28 January 2011.

Mr Burke's appointment is subject to re-election at the next AGM and, subsequently, at each third AGM and may automatically lapse after nine years on grounds of independence.

Sir Tim Lankester, member of the Remuneration, Nomination and Audit Committees: Appointed as a Non-Executive Director on 16 May 2003. With effect from 10 May 2009, Sir Tim Lankester's fees were increased to £52,000, of which £40,000 represents his basic fee as a Non-Executive Director, £6,000 is for membership of the Remuneration Committee and £6,000 is for membership of the Audit Committee.

Sir Tim Lankester's appointment is subject to re-election at each third AGM and may automatically lapse after nine years on grounds of independence.

Ron Robson: Appointed as a Non-Executive Director on 22 January 2010. Mr Robson was appointed pursuant to Piedmont Inc.'s (*Piedmont*) right to appoint a director to the Company's Board and, as such, is a non-independent Non-Executive Director. Mr Robson's fee as a Non-Executive Director is £40,000.

Mr Robson's appointment can be terminated on one month's notice by either himself or the Company. Mr Robson's appointment is subject to re-election at each third AGM.

Mr Robson's appointment is stated to be terminable on certain events, such as on the wish of Piedmont or dependent on Piedmont's aggregate shareholding. Other termination events include Mr Robson's appointment as an officer of a competitor business or upon a takeover of the Company.

6. Significant shareholdings

As at 6 October 2010 (the latest practicable date before the publication of this document), the Company has been notified of, or otherwise made aware of, the following persons (other than the Directors) who were, directly or indirectly, interested in 3 per cent. or more of the voting rights in the Company:

Name of Shareholder	Number of Shares	Percentage of the total voting rights	Nature of interest
Piedmont Inc.	93,047,373	22.75%	Direct
Elpida Group Ltd.	71,694,429	17.53%	Direct
Legal & General	15,493,113	3.79%	Direct

Save as disclosed in this paragraph 6 of this Part VI of this document, the Company is not aware of any interest (within the meaning of Rule 5 of the Disclosure and Transparency Rules) that represents 3 per cent. or more of the voting rights in the Company.

7. Related party transactions

Between 20 June 2008 and 8 October 2008, Aaron Brown and Tim Smalley were directors of the Company. Both were connected to Violet Capital Limited, which was a related party of the Company during the same period. Prior to their appointment to the Board of the Company, but during the financial period, the Group acquired the Maybury Inn, Woking, from a company owned by the Globe Group, a connected party of Violet Capital Limited, on an arm's length basis. No transactions took place between the Group and the two directors or their connected parties during their period as directors of the Company, other than payment of fees for their services as directors of the Company.

Save as disclosed in this paragraph 7, the Company has not entered into any related party transaction during the period covered by the historical financial information contained in Part IV of this document and up to the date of this document.

8. Significant change

Continuing Group

There has been no significant change in the financial or trading position of the Continuing Group since 10 April 2010, being the date to which the unaudited half year results of the Company were prepared.

Non-Core Pubs

There has been no significant change in the financial or trading position of the Non-Core Pubs since 26 September 2009, being the date to which the financial information relating to the Non-Core Pubs as set out in Part IV of this document has been drawn up.

9. Working capital

The Company is of the opinion that, taking into account available bank and other debt facilities and the net proceeds of the Disposal, the Continuing Group has sufficient working capital for its present requirements, that is, for at least 12 months following the date of this document.

10. Material contracts

Continuing Group

Save as disclosed in this paragraph, no contracts (other than contracts entered into in the ordinary course of business) which are, or may be, material have been entered into by any member of the Continuing Group within the two years immediately preceding the date of this document and no contracts (other than contracts entered into in the ordinary course of business) have been entered into by any member of the Continuing Group which contain provisions under which any member of the Continuing Group has any obligation or entitlement that is material to the Continuing Group as at the date of this document.

The Disposal Documents

A summary of the Disposal Documents is set out in Part III of this document.

Securitisation Arrangements

The Group entered into a securitisation transaction in November 2003 for the purposes of raising debt finance for the Group (the **Securitisation Arrangements**). Pursuant to the Securitisation Arrangements, Mitchells & Butlers Finance plc (the **Issuer**) has issued £1.9 billion in notes pursuant to an initial issuance in November 2003 and £655 million in notes pursuant to a subsequent tap issue in September 2006. The issuances relate to the assets and undertakings of MAB Retail (the **Borrower**) and the amounts due and payable to the holders of the notes are indirectly secured by fixed and floating charges over the assets of the Borrower, its parent company, Mitchells & Butlers Retail Holdings Limited (the **Securitisation Parent**) and the mortgaged property and certain other assets of other members of the Group (the **Chargors**). The Borrower, together with any other companies which become borrowers under the securitisation and the Securitisation Parent form the **Securitisation Group**.

The table below sets out the details of the notes outstanding as at the date of this document.

Notes	Amount Outstanding as at 7 October 2010	Step Up Date	Interest Rate before Step Up Date	Interest Rate after Step Up Date	Final Maturity
Class A1N	£200 million	December 2010	Sterling LIBOR + 0.18%	Sterling LIBOR + 0.45%	2030
Class A2	£371.4 million	N/A	5.574%	N/A	2030
Class A3N ¹	\$418.75 million	December 2010	Dollar LIBOR + 0.18%	Dollar LIBOR + 0.45%	2030
Class A4	£170 million	September 2013	Sterling LIBOR + 0.23%	Sterling LIBOR + 0.575%	2030
Class AB	£325 million	September 2013	Sterling LIBOR + 0.24%	Sterling LIBOR + 0.60%	2033
Class B1	£257.7 million	N/A	5.965%	N/A	2025
Class B2	£350 million	N/A	6.013%	N/A	2030
Class C1	£200 million	N/A	6.469%	N/A	2032
Class C2	£50 million	September 2013	Sterling LIBOR + 0.75%	Sterling LIBOR + 1.875%	2034
Class D1	£110 million	September 2013	Sterling LIBOR + 0.85%	Sterling LIBOR + 2.125%	2036

¹ Swapped to Sterling amount of £250 million.

The interest rate applicable to certain tranches of the Securitisation increases as set out above on the relevant Step Up Date.

The Class A Notes and the Class AB Notes are unconditionally and irrevocably guaranteed in relation to the payment of scheduled principal and scheduled interest thereunder pursuant to the terms of a financial guarantee issued by Ambac Assurance UK Limited (*Ambac*) (the **Financial Guarantee**).

Pursuant to the terms of the Securitisation Arrangements, the amounts raised by the Issuer through the issuance of the notes pursuant to the initial issue and the tap issue have been on-lent by the Issuer to the Borrower pursuant to a facility agreement (the **Issuer/Borrower Facility Agreement**). In addition to regulating the payment of interest and repayment of principal from the Borrower to the Issuer, the Issuer/Borrower Facility Agreement includes various covenants by which the Securitisation Group are bound including restrictions on acquisitions, disposals, the incurrence of additional financial indebtedness and the granting of security to third parties.

The Borrower is also subject to the following financial covenants:

Net Worth

The Borrower (together with any other entity which may become a borrower under the Securitisation Arrangements) covenants to maintain at the end of each Financial Year a net worth (comprising the net assets of the Borrower(s) and any fully subordinated indebtedness of the Borrower(s)) of at least £500 million (in aggregate, to the extent that there is more than one borrower under the Issuer/Borrower Facility Agreement).

Debt Service

The Borrower (together with any other entity which may become a borrower under the Securitisation Arrangements) covenants that the ratio of (i) free cashflow (being the EBITDA of the Borrower(s) after deducting tax and required maintenance expenditure) to (ii) the aggregate of interest payable on any financial indebtedness, fees payable to Ambac in respect of the Financial Guarantees and scheduled principal payable under the Issuer/Borrower Facility Agreement as at the end of each financial quarter, for the immediately preceding two financial quarters and the immediately preceding 12 month period, (the **FCF DSCR**) will not be less than 1.10:1.00.

In addition to the above financial covenants, the Borrower is restricted from making the payment of dividends and certain other distributions to Group companies not within the Securitisation Group unless, among other things, (i) the FCF DSCR for the immediately preceding two financial quarters and the immediately preceding financial year was, in each case, at least 1.30:1.00 and (ii) the ratio of EBITDA to the aggregate of interest payable on any financial indebtedness, fees payable to Ambac in respect of the Financial Guarantees and scheduled principal payable under the Issuer/Borrower Facility Agreement as at the end of each financial quarter, for the immediately preceding two financial quarters and the immediately preceding 12 month period was, in each case, at least 1.70:1.00.

In addition to the Issuer/Borrower Facility Agreement, the Securitisation Arrangements are governed by the following principal transaction documents: the Issuer Deed of Charge, the Borrower Deed of Charge, the Trust Deed, the Tax Deed of Covenant and the Hedging Arrangements.

£550 million Term and Revolving Facilities Agreement

The Company and MAB Retail 2 (in its capacity as Borrower) originally entered into a £600 million term and revolving facilities agreement (the **Original Term and Revolving Facilities Agreement**) on 24 July 2008 which was arranged by Barclays Capital, Citigroup Global Markets Limited, Lloyds TSB Bank plc and The Royal Bank of Scotland plc and pursuant to which The Royal Bank of Scotland plc acted as agent. The Original Term and Revolving Facilities Agreement was amended on 20 May 2009 at which time the amount of the facility was reduced to £550 million (the **Term and Revolving Facilities Agreement**). The obligations of the Borrower under the Term and Revolving Facilities Agreement are unconditionally and irrevocably guaranteed by the Company.

Under the Term and Revolving Facilities Agreement, three sterling term loan facilities and a multicurrency revolving term loan facility were made available by the lenders for utilisation by the Borrower. The proceeds of the loans were to be used for the general corporate purposes of the Group, including the refinancing of certain existing facilities, with the proceeds of one of the sterling term loan facilities (the **A Facility**) to be applied towards funding the close out amount of certain interest rate swaps entered into by Mitchells & Butlers Retail Property Limited.

One of the sterling term loan facilities (the **B Facility**) was prepaid in full in October 2009. Final repayment under the A Facility and the other outstanding sterling term loan facility (the **C Facility**) (half of the C Facility having been prepaid in March 2010) is to be made in instalments with the final instalment in respect of the A Facility being due in November 2011. The termination date in respect of the multicurrency revolving term loan facility is also November 2011. As at 6 October 2010, £125 million had been drawn under the sterling term loan facilities and £160 million had been drawn under the revolving term loan facility.

Utilisations under the Term and Revolving Facilities Agreement bear interest at the percentage rate per annum which is the aggregate of (a) the margin (which in respect of the A Facility is a fixed percentage and which in respect of the C Facility and the multicurrency revolving term loan facility varies subject to the Net Debt to EBITDA Ratio as defined below); (b) LIBOR or, in relation to any loan made in euro, EURIBOR; and (c) mandatory costs, if any.

Pursuant to the terms of the Term and Revolving Facilities Agreement, the Company undertakes to ensure compliance with certain financial covenants, which are tested at the end of each financial quarter, for the immediately preceding 12 month period, as follows:

Net Debt to EBITDA

The ratio of (i) the net debt of the companies not subject to the Securitisation Arrangements to (ii) EBITDA (being EBITDA of the companies not subject to the Securitisation Arrangements plus the cash dividends and distributions from the Securitisation Group) (*Net Debt to EBITDA Ratio*) must not exceed:

2.50:1.00 from the end of the financial year ending in September 2009 until the financial year ending in September 2010; and

2.25:1.00 from the end of the financial year ending in September 2010 until the final maturity date of the loans.

Debt Service

The ratio of (i) free cashflow (being the EBITDA of the companies not subject to the securitisation arrangements after deducting tax, certain distributions and certain other costs and expenses) to (ii) the amount of interest and other finance charges accrued by the companies not subject to the securitisation arrangements must be not less than 1.00:1.

The Term and Revolving Facilities Agreement also includes representations, warranties and covenants by which the Borrower and the Company are bound, including restrictions on acquisitions, disposals, the incurrence of additional financial indebtedness and the granting of security to third parties.

Non-Core Pubs

Save as disclosed in this paragraph, no contracts (other than contracts entered into in the ordinary course of business) which are, or may be, material have been entered into by the Non-Core Pubs within the two years immediately preceding the date of this document and no other contracts (other than contracts entered into in the ordinary course of business) have been entered into by the Non-Core Pubs which contain provisions under which the Non-Core Pubs have any obligations or entitlement which are material to the Non-Core Pubs at the date of this document.

The Disposal Documents

A summary of the Disposal Documents is set out in Part III of this document.

11. Litigation

Continuing Group

Neither the Company nor any member of the Continuing Group is, nor has been, engaged in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Continuing Group.

Non-Core Pubs

The Non-Core Pubs are not, nor have been, engaged in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Non-Core Pubs.

12. Consents

Each of Sapient Corporate Finance, J.P. Morgan Cazenove and Nomura has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included or referenced.

Each of Piedmont Inc. and Elpida Group Ltd. has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included or referenced.

Ernst & Young LLP has given and not withdrawn its written consent to the inclusion of the report set out in Part V of this document in the form and context in which it is included.

13. Documents available for inspection

Copies of the following documents may be inspected at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of the publication of this document until the General Meeting and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the General Meeting:

- (a) the memorandum and articles of association of the Company;
- (b) the consent letters referred to in paragraph 12 of this Part VI;
- (c) the audited consolidated accounts of the Company for the 52 week periods ended 29 September 2007, 27 September 2008 and 26 September 2009 and the unaudited interim financial results for the Company for the 28 week period ended 10 April 2010;
- (d) the report from Ernst & Young LLP set out in Part V of this document regarding the pro forma financial information for the Continuing Group;
- (e) the Disposal Documents;
- (f) the register of Directors' interests in the Shares of the Company;
- (g) the service contract and letters of engagement of the Directors; and
- (h) this document and the Form of Proxy.

7 October 2010

PART VII
DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document, unless the context otherwise requires:

“2006 Act”	the Companies Act 2006, as amended from time to time
“AGM”	annual general meeting of the Company
“BSA”	the business sale agreement entered into on 20 August 2010 between the Company and certain of the Company’s subsidiaries, MAB Holdings, MAB Retail, MAB Retail 2, MAB Leisure Retail and Old Kentucky, and Stonegate in respect of the Disposal
“Borrower Deed of Charge”	the borrower deed of charge originally dated 13 November 2003 (as supplemented and/or amended from time to time, the most recent supplement being dated 15 September 2006), made between, <i>inter alia</i> , MAB Retail and HSBC Trustee (C.I.) Limited as borrower security trustee
“Break Fee Agreement”	the break fee agreement entered into on 20 August 2010 between MAB Retail, MAB Retail 2 and Stonegate
“certificated” or “certificated form”	evidenced by a physical form of certificate
“Company”	Mitchells & Butlers plc
“Completion”	the completion of the Disposal in accordance with the BSA which is scheduled to take place on 14 November 2010, subject to the passing of the Resolution at the General Meeting
“Continuing Group”	the Group as constituted after Completion but excluding the acquisition of Ha Ha Bar and Grill Limited
“CREST”	the relevant system, as defined in the CREST Regulations, and the holding of shares in uncertificated form in respect of which Euroclear is the operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“Directors” or the “Board”	the current directors of the Company whose names are set out on page 4 of this document
“Disclosure and Transparency Rules”	the disclosure and transparency rules of the UKLA made in accordance with section 73(A) of FSMA, as amended from time to time
“Disposal”	the proposed disposal of the Non-Core Pubs to Stonegate pursuant to the BSA
“Disposal Documents”	the BSA, TSA and the Break Fee Agreement
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Equiniti”	Equiniti, the Company’s Registrar, whose details are set out on page 4 of this document
“EURIBOR”	the Euro interbank offered rate, the interest rate participating banks offer to other banks for term deposits in the Euro wholesale money market
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Executive Director”	Adam Fowle
“EXSOP”	the Company’s Executive Share Option Plan

“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in relation to the General Meeting
“FSA”	the Financial Services Authority of the United Kingdom
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time
“General Meeting”	the general meeting of the Company convened for 2.30 p.m. on 26 October 2010, notice of which is set out in Part VIII of this document and including any adjournment thereof
“Group”	the Company and its subsidiaries
“Hedging Arrangements”	the interest rate and currency swap arrangements entered into by Mitchells & Butlers Finance plc with the Royal Bank of Scotland plc and Citibank N.A., London Branch in connection with payments to be made under the notes issued as part of the securitisation arrangements
“Issuer Deed of Charge”	the issuer deed of charge originally dated 13 November 2003, as supplemented by a first supplemental issuer deed of charge dated 15 September 2006 (and as the same may be further supplemented or amended from time to time), made between, <i>inter alia</i> , Mitchells & Butlers Finance plc and HSBC Trustee (C.I.) Limited as trustee
“J.P. Morgan Cazenove”	J.P. Morgan plc, a company incorporated in England and Wales with registered number 00248609, which operates its investment banking business in the United Kingdom under the name J.P. Morgan Cazenove
“LIBOR”	the London interbank offered rate, the interest rate participating banks offer to other banks for term deposits in the London wholesale money market
“Listing Rules”	the rules and regulations made by the FSA under Part VI of FSMA, as amended from time to time
“London Stock Exchange”	London Stock Exchange Plc
“LTIP”	the Company’s Long Term Incentive Plan
“MAB Holdings”	Mitchells & Butlers Holdings Limited
“MAB Leisure Retail”	Mitchells & Butlers Leisure Retail Limited
“MAB Retail”	Mitchells & Butlers Retail Limited
“MAB Retail 2”	Mitchells & Butlers Retail (No 2) Limited
“Mitchells & Butlers Executive Pension Plan”	means the occupational pension scheme governed and administered in accordance with the provisions of the Definitive Trust Deed and Rules dated 6 April 2006 between the Company and Mitchells & Butlers Executive Pension Trust Limited
“Mitchells & Butlers Pension Plan”	means the occupational pension scheme governed and administered in accordance with the provisions of the Definitive Trust Deed and Rules dated 6 April 2006 between the Company and Mitchells & Butlers Pensions Limited
“Nomura”	Nomura International plc
“Non-Core Pubs”	the 333 non-core pubs and certain accompanying assets, the subject of the Disposal
“Non-Executive Directors”	any or all of John Lovering, Michael Balfour, Jeremy Blood, Simon Burke, Sir Tim Lankester and Ron Robson
“Notice of General Meeting”	the notice for the General Meeting as set out in Part VIII of this document

“Official List”	the Official List of the FSA pursuant to Part VI of FSMA
“Old Kentucky”	Old Kentucky Restaurants Limited
“Prospectus Rules”	the prospectus rules of the UKLA made in accordance with section 73A of FSMA, as amended from time to time
“PRSP”	the Company’s Performance Restricted Share Plan
“Regulatory Information Service”	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies
“Resolution”	the ordinary resolution to approve the Disposal as set out in the Notice of General Meeting which is set out at Part VIII of this document
“Securitisation Group”	MAB Retail, any other members of the Group, which become borrowers under the Group’s securitisation arrangements and Mitchells & Butlers Retail Holdings Limited
“Sellers”	MAB Retail, MAB Retail 2, MAB Leisure Retail and Old Kentucky
“Shareholders”	holders of Shares in the Company
“Shares”	the ordinary shares of 8 13/24p each in the capital of the Company
“Sharesave”	the Company’s Sharesave Plan
“Share Schemes”	the share option schemes of the Company, including the EXSOP, LTIP, PRSP, Sharesave, SIP and STDIP
“SIP”	the Company’s Share Incentive Plan
“STDIP”	the Company’s Short-Term Deferred Incentive Plan
“Stonegate”	Stonegate Pub Company Limited, a company controlled by funds managed by TDR Capital LLP
“Tax Deed of Covenant”	the tax deed of covenant originally dated 13 November 2003 and as amended and restated on 15 September 2006, made between, <i>inter alia</i> , Mitchells & Butlers Finance plc, MAB Retail and HSBC Trustee (C.I.) Limited as trustee and borrower security trustee
“TDR Capital”	TDR Capital LLP
“TDR Partnerships”	TDR Capital II ‘A’ L.P., TDR Capital II ‘B’ L.P., TDR Capital II ‘C’ L.P., TDR Capital II Associates L.P. and TDR Capital General Partners II L.P.
“TSA”	the transitional services agreement to be entered into on Completion between MAB Retail, Old Kentucky and Stonegate
“Trust Deed”	the trust deed originally dated 13 November 2003 as supplemented by a first supplemental trust deed dated 15 September 2006 (and as the same may be further supplemented or amended from time to time), made between Mitchells & Butlers Finance plc, HSBC Trustee (C.I.) Limited as trustee and Ambac Assurance UK Limited
“Trustee”	HSBC Trustee (C.I.) Limited
“UKLA”	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

All references to “pounds”, “pounds sterling”, “Sterling”, “£”, “pence” and “p” are to the lawful currency of the United Kingdom.

PART VIII

NOTICE OF GENERAL MEETING

Mitchells & Butlers plc

(Registered in England & Wales No: 04551498)

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Mitchells & Butlers plc (the *Company*) will be held at The Institution of Engineering and Technology, Savoy Place, 2 Savoy Place, London WC2R 0BL at 2.30 p.m. on 26 October 2010 for the purpose of considering and, if thought fit, passing the following resolution:

Ordinary Resolution

1. THAT the proposed disposal by certain subsidiaries of Mitchells & Butlers plc (the *Company*) of 333 public houses and certain associated assets to Stonegate Pub Company Limited (the *Disposal*), as described in the circular to the Company's shareholders dated 7 October 2010 and on the terms and subject to the conditions of a business sale agreement dated 20 August 2010 between the Company, certain of its subsidiaries and Stonegate Pub Company Limited (the *Disposal Agreement*) (a copy of which is produced to the meeting and, for identification purposes, initialled by the chairman of the meeting), be and is hereby approved and the Directors of the Company (or any duly constituted committee thereof) be and are hereby generally and unconditionally authorised to do or procure to be done all such acts and things and execute or procure the execution, on behalf of the Company and any of its subsidiaries, of all such deeds and documents as they may consider necessary, expedient or desirable to implement and complete the Disposal and any matter incidental to the Disposal in accordance with the terms and conditions of the Disposal Agreement and to agree such amendments, variations or waivers of such terms and conditions as the Directors of the Company (or any duly constituted committee thereof) may in their absolute discretion think fit, provided that such amendments, variations and waivers are not material in the context of the Disposal as a whole.

Registered Office:
27 Fleet Street
Birmingham
B3 1JP

By order of the Board
Bronagh Kennedy
Company Secretary

Notes

The following notes explain your general rights as a shareholder and your rights to attend and vote at the General Meeting or to appoint someone else to vote on your behalf.

1. Only holders of ordinary shares, or their duly appointed representatives, are entitled to attend, vote and speak at the General Meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend, vote and speak on his/her behalf.
2. A three-way Form of Proxy is enclosed and instructions for its use are shown on the form. The appointment of a proxy will not prevent a member from subsequently attending, voting and speaking at the General Meeting in person.
3. If you wish, you may register the appointment of a proxy for the General Meeting electronically, by contacting the Company's Registrar's website www.sharevote.co.uk where full details of the procedure are given. The proxy appointment and instructions must be received by Equiniti not less than 48 hours before the time for holding the General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the General 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(ies) 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 Euroclear'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 RA19) not less than 48 hours before the time for holding the General 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 Euroclear 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 CREST Manual can be reviewed at www.euroclear.com/CREST.

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. At the General Meeting on 26 October 2010 the votes will be taken by a poll rather than a show of hands and the results will be released to the London Stock Exchange and published on the Company's website www.mbplc.com. Poll cards will be issued upon registration to those attending the General Meeting.
6. A person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 4 above does not apply to a Nominated Person. The rights described in these paragraphs can only be exercised by registered members of the Company.
8. Any corporation which is a member can appoint one or more corporate representatives

who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member provided that they do not do so in relation to the same shares.

9. The Company specifies that only those shareholders on the Register of Members as at 6.00 p.m. on 22 October 2010 (or, if the General Meeting is adjourned, on the day two days prior to the day of the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the General Meeting in respect of the number of shares registered in their names at the time. Changes to entries on the ordinary register after 6.00 p.m. on 22 October 2010 shall be disregarded in determining the right of any person to attend or vote at the General Meeting. If you are planning to attend the General Meeting, please bring your attendance card with you. It authenticates your right to attend, speak and vote at the General Meeting and will speed your admission.

10. All shareholders and their proxies will have the opportunity to ask questions at the General Meeting. When invited by the Chairman, if you wish to ask a question, please wait for a Company representative to bring you a microphone. It would be helpful if you could state your name before you ask your question. Questions may not be answered at the General Meeting if they are deemed not to be in the interests of the Company, would involve the disclosure of confidential information, or would not be to the good order of the General Meeting. The Chairman may also nominate a Company representative to answer a specific question after the General Meeting or refer the response to the Company's website.

11. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006 can be found at www.mbplc.com

12. As at 6 October 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 409,002,677 ordinary shares. The total number of voting rights in the Company as at 6 October 2010 is 409,002,248.

13. Shareholders are advised that, unless otherwise stated, any telephone number, website and email address set out in this Notice, Form of Proxy, or Chairman's letter should not be used for the purpose of serving information on the Company (including the service of documents or information relating to the proceedings at the Company's General Meeting).

The General Meeting will be held at 2.30 p.m. on 26 October 2010 at The Institution of Engineering and Technology, Savoy Place, 2 Savoy Place, London WC2R 0BL.

Please note that whilst tea and coffee will be available from 1.30 p.m. onwards, no further refreshments will be available after the General Meeting.

A location map is provided on the reverse of the accompanying Form of Proxy.

