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Chairman

Interim Results – 22 May 2007

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Finance Director

Interim Results – 22 May 2007

Financial Highlights

28 weeks ended 14 April 2007

Growth

● Revenue	£995m	12.2%
● EBITDA*	£230m	11.1%
● Operating profit*	£161m	12.6%
● Profit before tax*	£89m	(2.2)%
● EPS*	14.8p	15.6%
● Interim dividend	4.25p	16.4%

*Before exceptional items

Presentational Points to Note

- **FY 2006/7 events**

- ◆ Special dividend of £1/share (£486m) and 34:41 share consolidation
- ◆ Disposal of 102 pubs to Trust Inns for £101m

- **Financials: 28 weeks. LFL sales: 32 weeks**

- **Acquired Sites:**

- ◆ Unconverted sites included in Restaurants
- ◆ Converted sites included in relevant division once re-open

- **Reporting to debt investors**

- **Pensions**

- ◆ Triennial actuarial valuation underway (as at 31 March 2007)

H1 2007 Results - Summary

	<i>H1 07</i> <i>28 wks</i> <i>£m</i>	<i>H1 06</i> <i>28 wks</i> <i>£m</i>	
Operating Profit*	161	143	12.6%
Net Interest	(72)	(52)	
PBT*	89	91	(2.2)%
Tax	(28)	(28)	
Earnings*	61	63	(3.2)%
EPS*	14.8p	12.8p	15.6%
Average no. of shares	413m	494m	

* Before exceptional items

H1 2007 Results – Exceptional Items

<i>£m</i>	<i>Gross</i>	<i>Net</i>
	<hr/>	<hr/>
Operating Profit		
- Property disposals	20	14
- Integration of Acquired Sites	(4)	(3)
	<hr/>	<hr/>
Total Exceptional Items	16	11
	<hr/>	<hr/>

Operating Performance

	<i>H1 07</i> <i>28 wks</i> <i>£m</i>	<i>H1 06</i> <i>28 wks</i> <i>£m</i>		
Revenue				
Pubs & Bars	515	508	1.4%	} <i>Retail</i> +12%
Restaurants	478	379	26.1%	
SCPD	2	-	-	
	995	887	12.2%	
Operating Profit*				
Pubs & Bars	92	86	7.0%	} <i>Retail</i> +12%
Restaurants	68	57	19.3%	
SCPD	1	-	-	
	161	143	12.6%	

* Before exceptional items

Underlying Profit Growth

<i>H1 2007</i>	<i>Division Total</i>	<i>Acquired Sites</i>	<i>Core Estate</i>	<i>Core Growth vs LY</i>	<i>Adjusted Growth vs LY*</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>%</i>	<i>%</i>
Pubs & Bars					
Revenue	515	4	511	+ 0.1%	+ 5.4%
Operating Profit	92	0	92	+ 7.0%	+15.0%
Restaurants					
Revenue	478	83	395	+ 4.2%	
Operating Profit	68	4	64	+12.3%	

Strong underlying improvement in margins

*Excluding contribution from major disposals

Like-for-Like Sales: Divisional

	<i>H1 07*</i>
<i>Same Outlet (Invested + Uninvested)</i>	
Pubs & Bars	5.1%
Restaurants	1.6%
Total**	3.6%
<i>Uninvested</i>	
Pubs & Bars	3.4%
Restaurants	0.4%
Total**	2.1%

* Excludes the Acquired Sites. 32 weeks to include the entire Easter period in both years being compared

** Includes Hollywood Bowl

Like-for-Like Sales: Segment



	<i>H1 07*</i>	<i>Q1 07*</i>
<i>Same Outlet (Invested + Uninvested)</i>		
Residential	4.1%	4.6%
High Street	2.9%	2.7%
Total**	3.6%	4.0%
<i>Uninvested</i>		
Residential	2.3%	2.5%
High Street	2.2%	2.1%
Total**	2.1%	2.4%

* Excludes the Acquired Sites. H1 07 represents 32 weeks to include the entire Easter period in both years being compared.

** Includes Hollywood Bowl.

Balancing Sales Growth & Margin

	<i>HY 07*</i>	<i>FY 06</i>
Uninvested LFL Sales	+2.1%	+2.6%
Average Selling Price**	up 2%	up 2%
Movement in Gross Margin (%)	flat	flat
Movement in LFL Gross Profit (£)	+ve	+ve

Growing LFL cash contribution from sales

* Excludes Acquired Sites. Like for like sales 32 weeks to include the entire Easter weekend in both periods

** Drink & Food

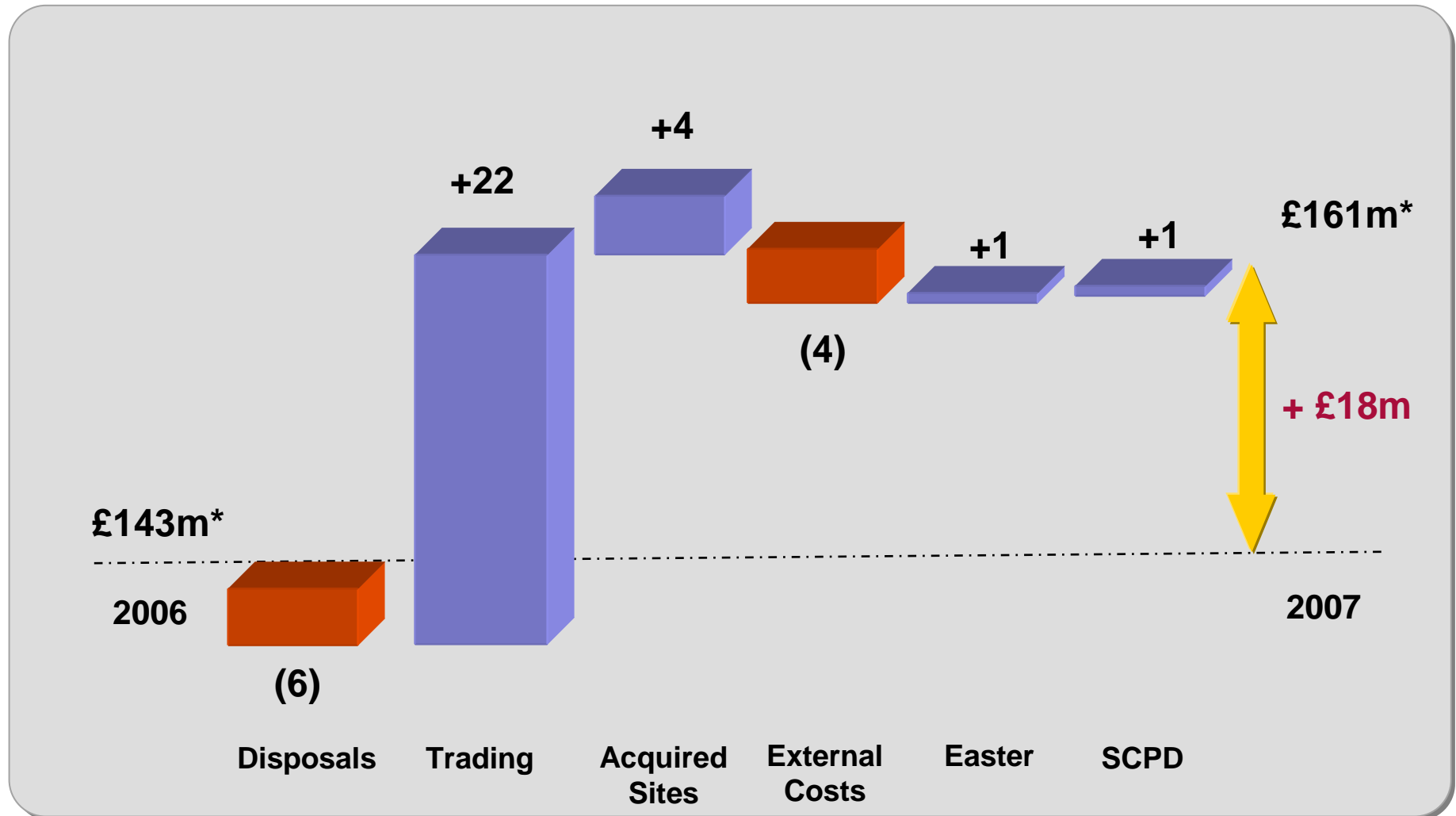
Key Operating Statistics (Excl. Acquired Sites)

- **Same outlet drink sales : up 3.2%***
- **Same outlet food sales : up 5.5%***
- **Outlet staff costs : 23.7% of sales**
- **Tight cost controls**

Net operating margin up 1.1% points

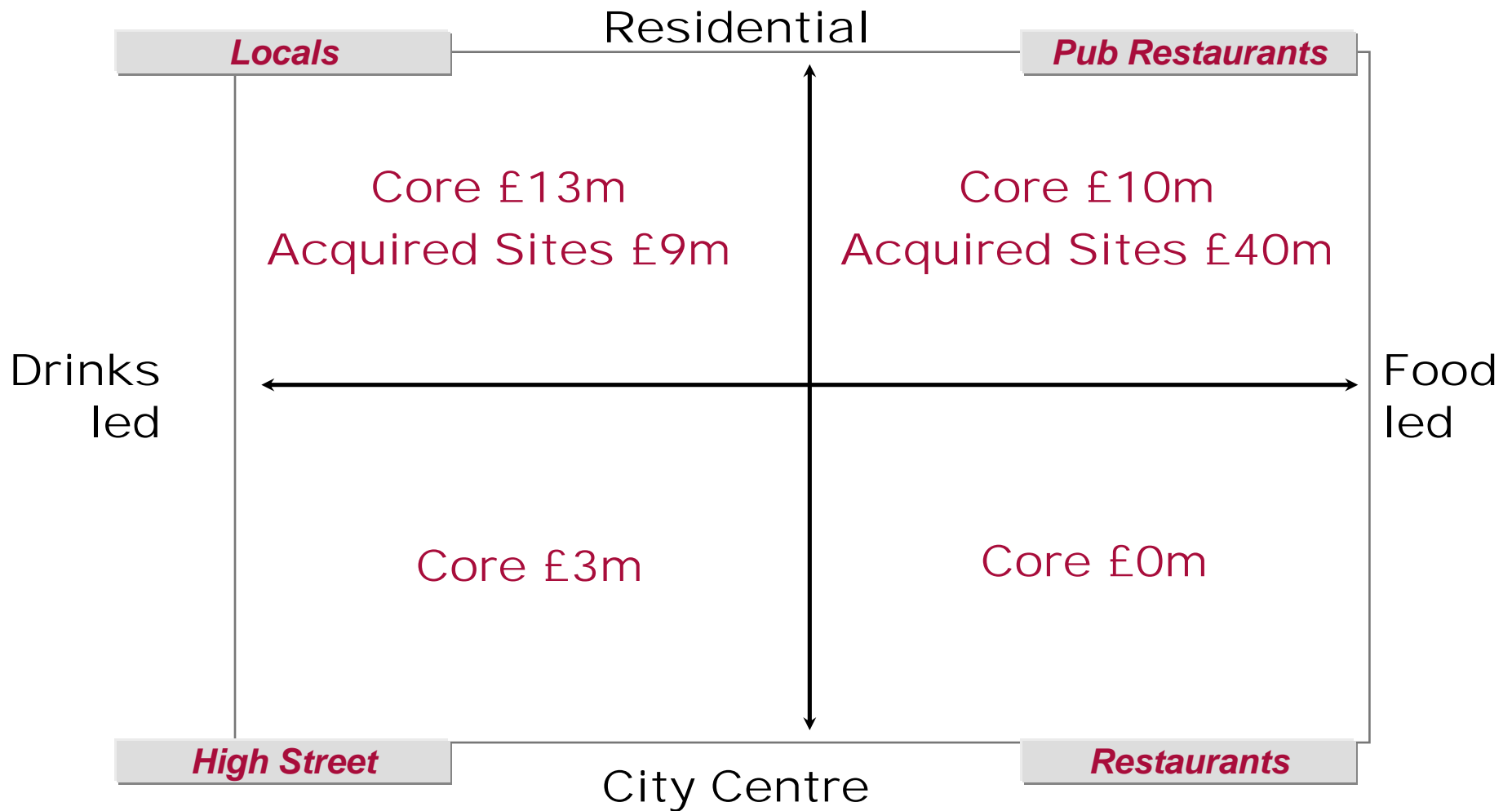
** 32 weeks*
All figures relate to Retail

Operating Profit Movement

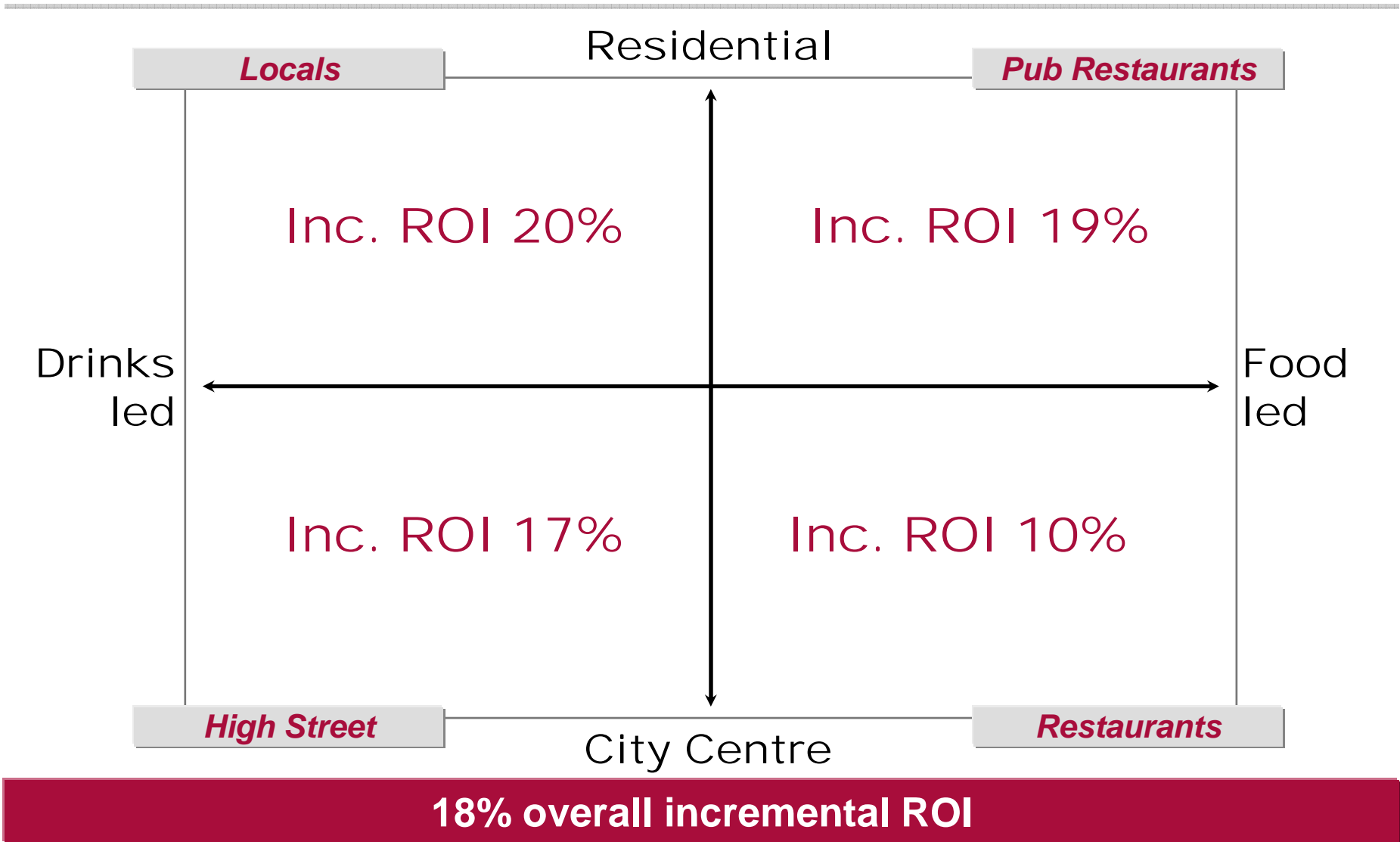


* Before exceptional items

H1 2007 Expansionary Capital



Returns by Segment



Notes: Incremental ROI is calculated before tax and after depreciation
Cumulative £1.1bn UK expansionary investment over the last 16 years, excluding Acquired Sites

Strong Cash Returns

<i>12 months to 14 April 2006</i>	<i>£m</i>	<i>CROCCE</i>	<i>£m</i>	<i>NOPAT</i>
EBIT	327		327	
Depreciation/Amortisation	126			
EBITDA	453			
Cash Tax (at 26% of EBIT)*	(85)		(85)	
Cash Return	368		242	
Average Net Operating Assets	3791		3791	
Accumulated Depreciation	359	10.5%		7.7%
Revaluations	(693)		(693)	
Goodwill written off	50		[50]	
Cash Capital Employed	3507		3148	

* Unleveraged tax rate

Cash Flow (a)

	<i>H1 07</i>	
	<i>£m</i>	
EBIT	161	
Depreciation & amortisation	69	
EBITDA	230	
Working capital / non cash items	10	
Maintenance capex	(60)	} £(135)m
Expansionary capex	(75)	
Purchase of Acquired Sites	(7)	
Disposals	131	
Additional pension contributions	(40)	
Operating Cash Flow after Net Capex*	189	

* Before exceptional operating expenditure of £4m

Cash Flow (b)

	<i>H1 07</i> <i>£m</i>
Operating Cash Flow after Net Capex	189
Net Interest paid	(71)
Tax paid	(13)
Normal dividends paid	(35)
Special Dividend paid	(486)
Exercise of share options	10
Shares repurchased	(46)
Net Cash Flow*	(452)

Closing Net Debt : £2,533m

* Before total expenditure on exceptional items of £7m and £19m of bond repayments

- **Net Debt : EBITDA*** **5.6x**
- **Book Gearing**** **73%**
- **Interest Cover***** **2.0x**

Well within all securitisation covenants

* MAT

** Net Debt / (Net Assets + Net Debt)

*** Excluding net finance income from pensions

- **Comprehensive review of all options**
 - ◆ Maximise value for shareholders: short term and longer term
- **Market valuation of property assets**
 - ◆ Freehold/Long Leasehold properties can support rent of c.£270m
 - ◆ No precedents yet for quoted pub REITs
 - ◆ Achievable rental yields materially lower than level implied by company's share price

Balance short term property value release with longer term retention of integrated business model

- **Tested full spectrum of options against three criteria**
 - ◆ Quantum of short term upside over current share price
 - ◆ Certainty of achieving short term value
 - ◆ Sustainability and potential for future value creation
- **Full separation of property changes the business model, with future values as yet uncertain**
 - ◆ Still very early days for REITs
 - ◆ Future rating of pure OpCo
- **Partial disposal of property interest can release value and preserves the existing business model**
 - ◆ Secure value for up to 50% of total property interest

Partnership with property investor offers best route

- **Continuing strong operating performance**
- **Successful integration Acquired Sites and rapid progress to convert with high uplifts**
- **Capital investment earning good returns**
- **Good cashflows from trading and disposals**
- **Intent on realising property value within sustainable operating model**
- **Interim dividend increase of 16.4%**

Generating more value for shareholders

Tim Clarke

Chief Executive

Interim Results – 22 May 2007

Sustainable Value Creation

- **Actively exploring property partnership**
 - ◆ Crystallise property value for shareholders
 - ◆ Retain operator incentivisation from future property appreciation
- **Operational strategy unchanged**
 - ◆ Adding operating value to large pubs in growth segments
 - ◆ Creating value from managed pub acquisitions

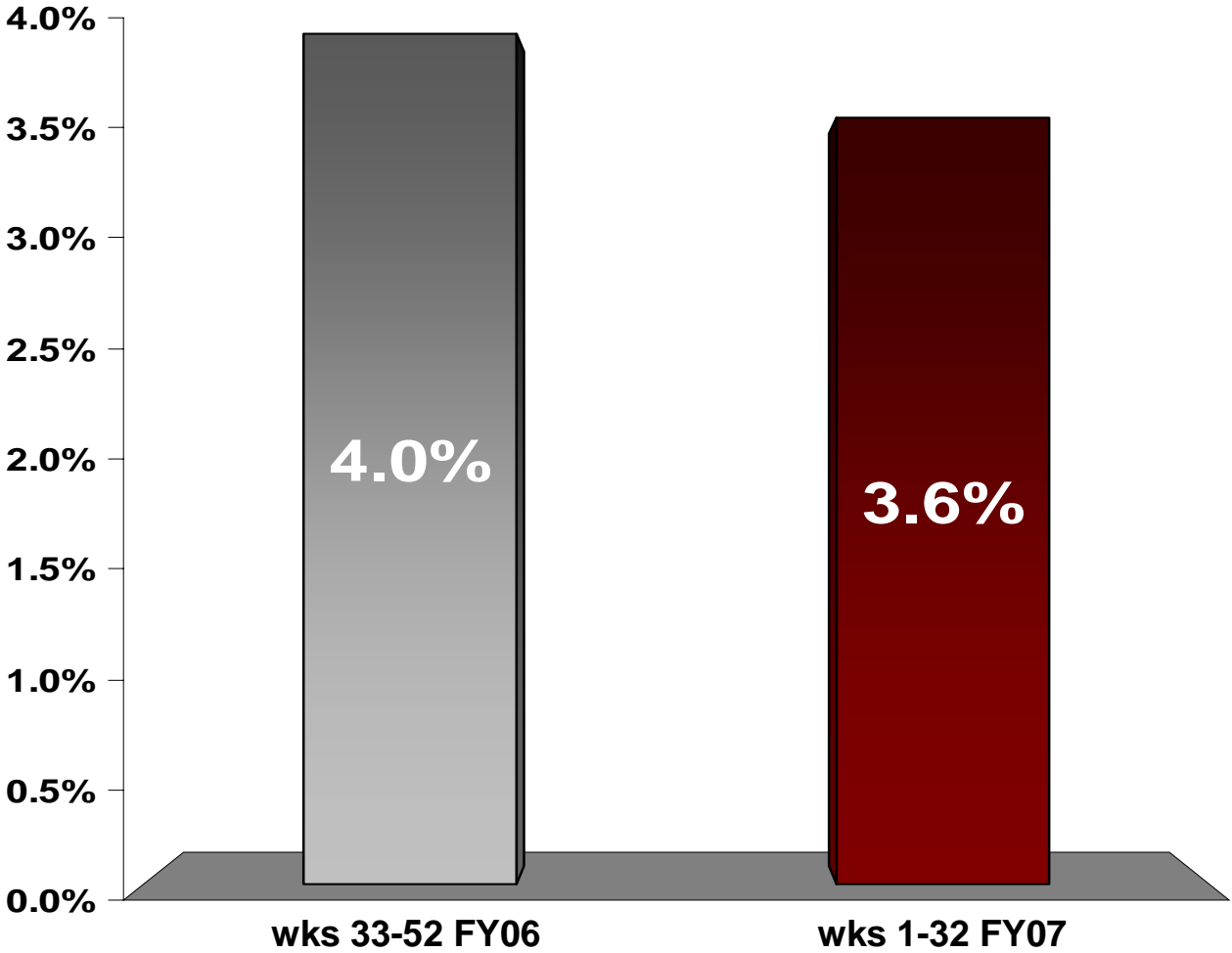
Focus on operational performance

Strategy is delivering

- **Customer focused value and volume strategy**
 - ◆ Extending leadership of eating-out market
 - ◆ Consistently gaining drinks market share
- **Investing in prime sites for high returns**
 - ◆ Format innovation and evolution
 - ◆ Rapid conversion of acquired sites - strong sales uplifts
- **Capturing volume driven efficiency gains**
 - ◆ Productivity and purchasing
 - ◆ Leveraging overhead infrastructure

Strong earnings growth amidst costs of acquisition integration

Like-for-like sales growth



Sustained like-for-like growth

Profitable Market Share Gains

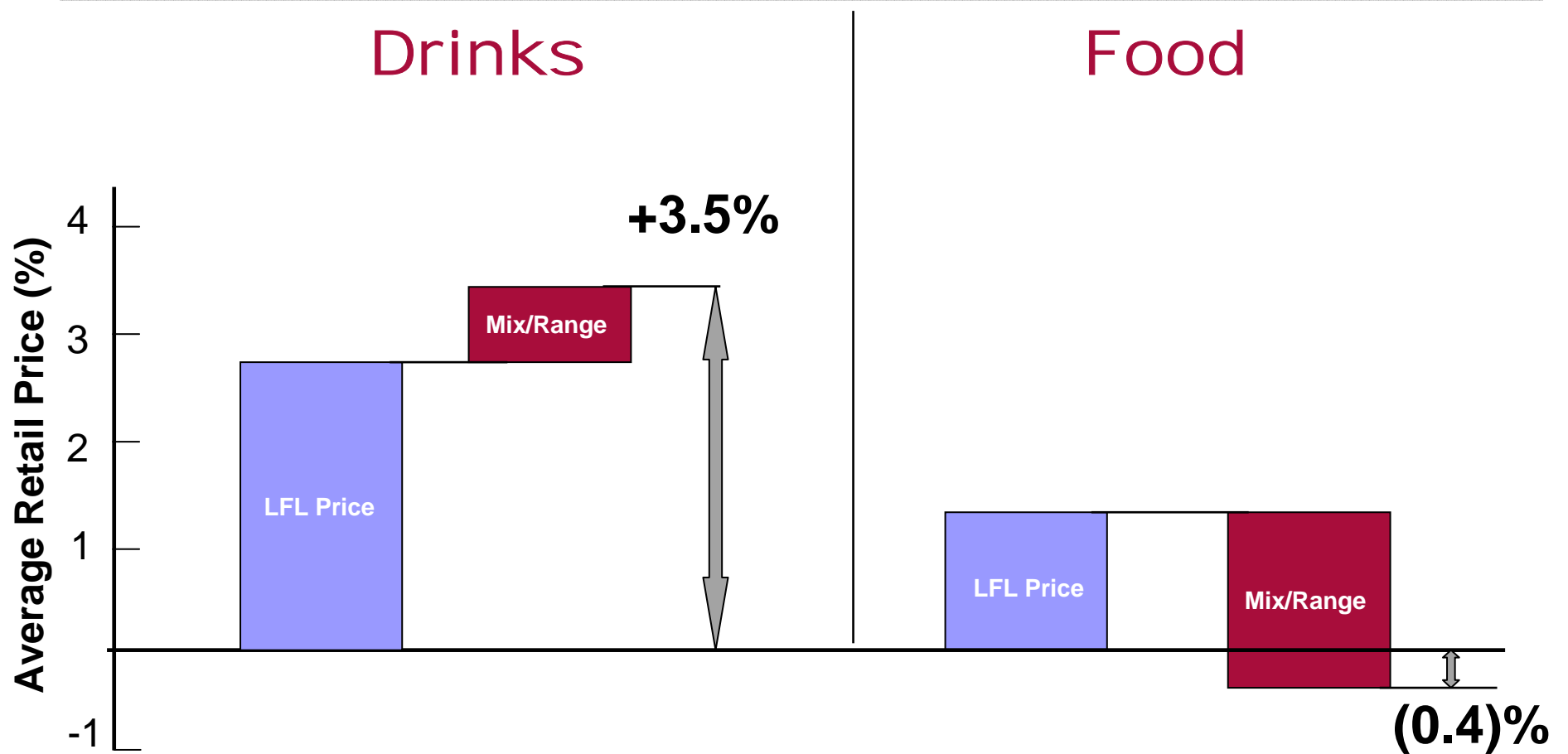


	<i>MAB</i> <i>Volume Growth (1)</i>	<i>Estimated</i> <i>Market Volume Growth (2)</i>
Food	6%	4%
Wine & Soft Drinks	2%	-1%
Spirits	-2%	-4%
Beer & Cider	1%	-3%

(1) Same outlet like-for-like growth for 32 weeks, excludes the Acquired Sites

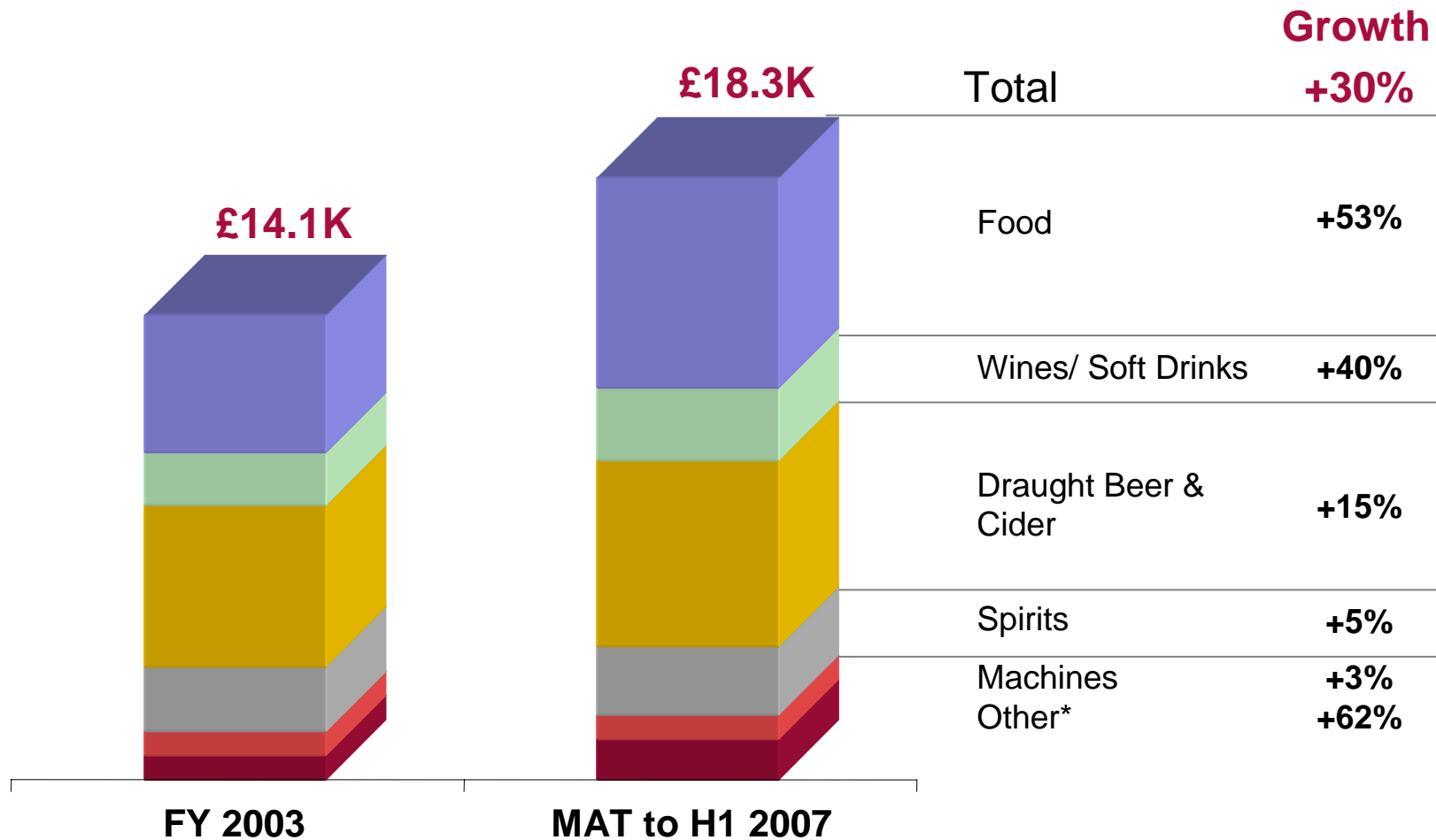
(2) MAB estimates based on BBPA/AC Nielsen/ONS

Retail Price



Average retail price of food and drinks +2.0%

Rising Average Takes



Incremental sales of food, wine and soft drinks to grow cash gross profits

* Accommodation and Other

- **Strong real growth**
 - ◆ 4% average real value growth for last 10 years*
 - ◆ 4% growth maintained in last 2 years*
- **Driven by life-style changes**
- **Strongest growth in neighbourhood casual dining**
 - ◆ Convenience of large pubs in residential areas
 - ◆ Recruitment to casual dining market
 - ◆ Affordability is a key driver
- **Boost from smoking ban**
- **Growing availability of pub food**

Demand growth reflecting regular eating out as a way of life

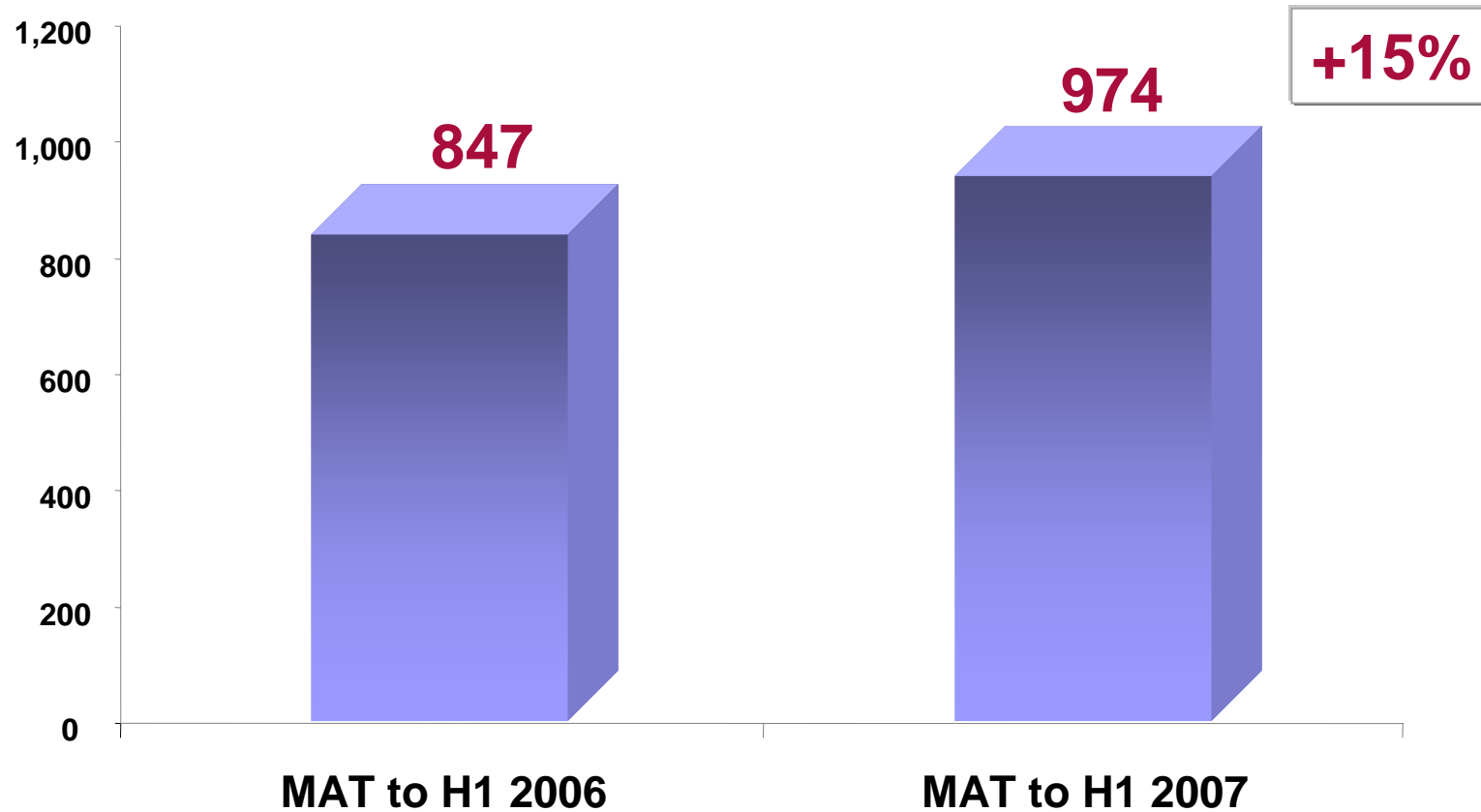
Food Priorities

- **Fresh food, freshly cooked**
- **Cooking methods that differentiate from convenience meals**
 - ◆ Grilled, roasted, steamed versus microwaves
- **Growing kitchen skills**
- **Capacity management and speed for peak sessions**
- **High taste profile**
 - ◆ Both traditional dishes and new international flavours
- **Value for money with greater choice of price points**
 - ◆ Stretching from midweek “canteening” to weekend special occasion

Menu development to meet rising customer aspirations with compelling value

Increase in Average Number of Meals

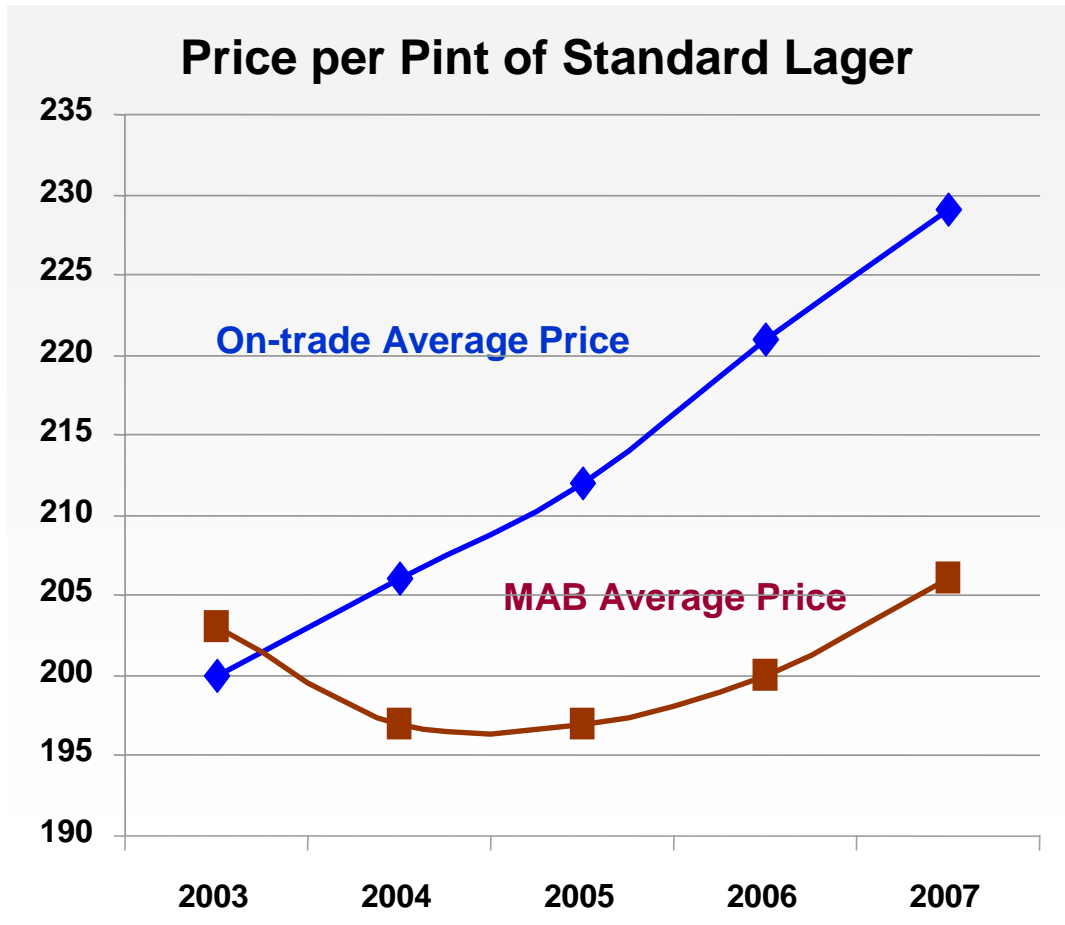
Meals served per pub per week



Rapid increase in meal volumes

NB. Includes the Acquired Sites

Drinking-Out Market Dynamics – On-trade beer



Price Competitiveness

- MAB standard lager £2.06
- Managed competition £2.23
- Tenancies £2.43

On-going volume decline exacerbated by growing price inflation

Source: BBPA, AC Nielsen. 12 months to March. (2003 market price = 4mths to March)

Drinks Priorities – Drive innovation in draught beers

Mitchells
& Butlers

- **Focus on the ‘perfect serve’**

- ◆ Glycol installed in over 1,000 pubs
- ◆ Branded glassware
- ◆ Cask ale cellar training



- **Point of sale communication**

- ◆ Condensing taps
- ◆ Price marking & innovative promotion



- **Range extension on favourable terms**

- ◆ Peroni, Urquell, Guinness Red
- ◆ Becks Vier, C2, Amstel



Drinks Priorities

- Wine, soft drinks and coffee

Wine: Range and serve quality

- ◆ New premium ranges
- ◆ Growth of own label
- ◆ Draught wine in c.500 pubs

Soft drinks:

- ◆ Extending fresh juice ranges
- ◆ Premium cordials, smoothies and mineral waters
- ◆ Dispense quality

Coffee:

- ◆ Installing branded coffee in over 1,000 pubs



Key attraction for new and light users

Capturing volume driven efficiency gains

- **Productivity**

- ◆ Rapid growth in staff contribution per hour +4.6%
- ◆ Training, deployment, scheduling

- **Purchasing**

- ◆ COGS index increases held to 1%
- ◆ £5m of purchasing synergies from acquisition this year

- **Infrastructure process efficiencies**

- ◆ Acquisition integrated with minimal overhead increase

Margin enhancement from growing scale economies

Format and estate development

- **Estate development**

- ◆ Format conversions to date 126 Acquired Sites
43 core sites
- ◆ Projected conversions to year end 170 Acquired Sites
70 core sites

- **Prospects for strong AWT growth**

- **Differentiated formats targeted at growth sectors**

- ◆ Innovation to attract new customers
- ◆ Evolution to retain and grow customer base

Divergent disposable income trends

% of UK Households	17%	38%	31%	13%
MAB estate segmentation	27%	44%	25%	4%
Socio/Economic grp	Professionals/ managerial	Mainstream suburban	Skilled blue collar	Low paid/ unemployed
Economic position	Strong earnings growth	Interest rates/ stealth taxes	Full employment	Tax credits/ welfare
Earnings growth	+6.1%	+2.7%	+2.3%	+3.0%
	+0.5%	(3.5)%	(0.9)%	(0.3)%
ONS inflation rates by social group	+5.6%	+6.2%	+3.2%	+3.3%

Source: MAB estimates from current ONS and Family Spending Survey data

Pub Restaurants – Core Business

- **Mid-market slow down in disposable incomes**
- **Pub food competition**
- **Suburban Pub Restaurants**
 - ◆ Good growth in Harvester and Toby
- **Commuter Belt Pub Restaurants**
 - ◆ Successful new premium format
 - ◆ Format evolution in Vintage Inns



Harvester, Windsor



Black Horse, Vintage Inn, Brentwood

Same outlet like-for-likes +1.4%

*Same outlet like-for-like sales for 32 weeks to 12 May 2007

Pub Restaurants – Integration of Acquired Sites

- **126 sites re-opened post conversion**

- ◆ 103 pub restaurants
- ◆ 23 residential pubs

- **23 sites in progress**

- **Outstanding site quality**

- **Intensive preparations enabled rapid conversions**

- **Pre-conversion declines intensified**

- ◆ Focus on maximising short term profit contribution
- ◆ Unconverted estate shrinking fast, now only 85 sites
- ◆ Less than 40 unconverted sites by year end



White Webbs, Toby Carvery, Enfield

Over half the acquired sites already converted

Pub Restaurants – Acquired Sites Conversions

- **Initial sales uplifts above 25%**
 - ◆ Better than initial expectations
 - ◆ Continuing to build
- **Different initial uplifts according to:**
 - ◆ Extent of change in customer profile
 - ◆ Overtness of branding
 - ◆ Residential versus destination sites
- **On track to complete programme by Easter 2008**



Saracen's Head, Premium Country Dining, Beaconsfield

Confident in delivery of value creation targets

Residential Pubs

- Major drinks market share gains
- Repositioning to food: 21% sales mix
- 1st Half food sales up +15%
- 70 conversions in 06/07
- Success of new Community Pub format trials
- Disposed smaller pubs with limited food prospects

Same outlet like-for-likes +7.6%



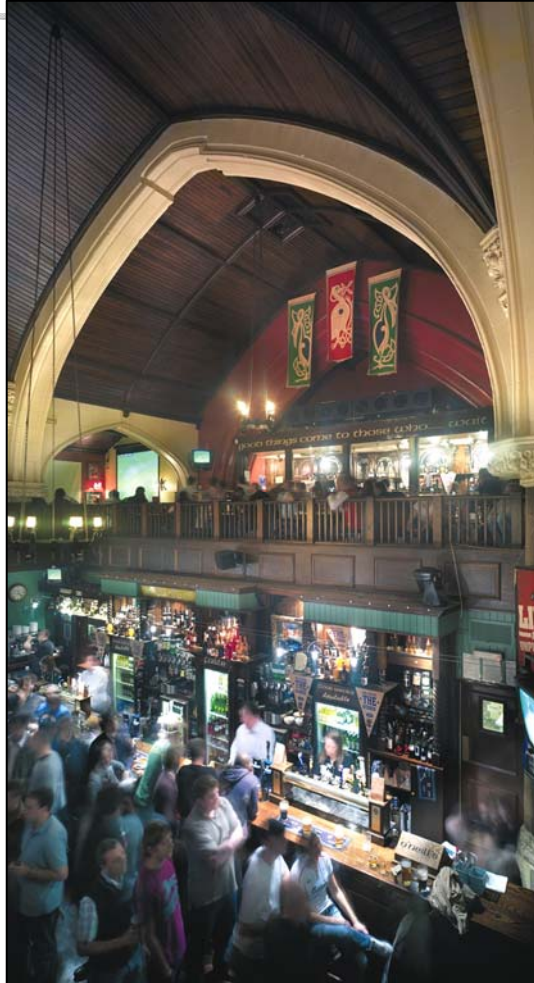
The Crown, Ember, Sutton Coldfield



Spaniards, Metro Professionals, Hampstead

*Same outlet like-for-like sales for 32 weeks to 12 May 2007

High Street & City Centre Markets



O'Neills, Muswell Hill, London

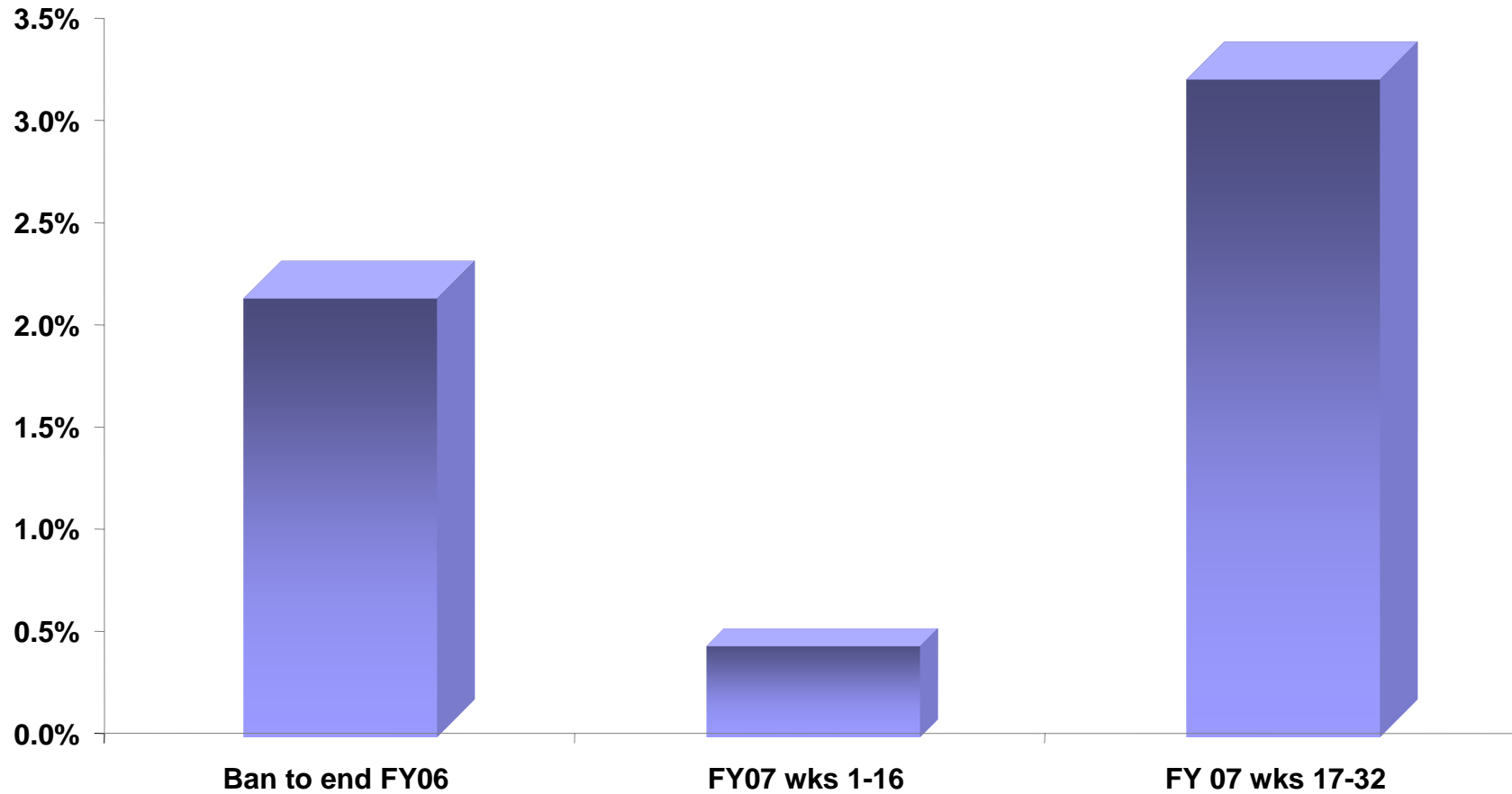
- 25% of total sales
- Central London: buoyant trading
- Strong performance from Town Pubs, O'Neill's & Scream
- Recovery in performance from circuit venues
- Rapid food growth
- Coffee opportunity

Same outlet like-for-like sales up 2.9%

*Same outlet like-for-like sales for 32 weeks to 12 May 2007

Smoking Ban Preparations

Scottish Like-for-Like Sales since ban



External Cost Outlook

- **External cost increases in previous five years of £90m**
- **Minimum wage increase in October '07 of 3.2%**
- **Energy prices below recent highs**
- **Property rates stability**

Best outlook on external cost pressures for five years

- **Leadership of growing eating-out market**
- **Accelerating drinks market share gains**
- **Impact of rising interest rates**
- **Strength from breadth of formats and sites**
- **Well on track to deliver Acquired Sites uplift targets**
- **Pipeline of c.350 investment opportunities in core estate**
- **Improving external cost outlook**
- **Well prepared to take advantage of smoking ban**

Strong competitive position

- **Growth prospects of quality pubs**
- **Formats positioned to capture high growth segments**
- **Operational excellence and scale efficiency gains**
- **Property review**
 - ◆ Realise embedded value for shareholders
 - ◆ Preserve synergies from integrated business model

Delivering sustainable shareholder value

Questions & Answers

Interim Results – 22 May 2007