

Roger Carr

Chairman

Interim Results – 20 May 2008

Jeremy Townsend

Finance Director

Interim Results – 20 May 2008

- **Resilient sales growth**
- **Robust operating profit performance in a challenging environment**
- **Capital investment continuing to earn good returns**
- **Strong cashflows from operations**
- **Interim dividend increase of 7.1%**

Well positioned to deliver continuing market out-performance

28 weeks ended 12 April 2008

Growth

● Revenue	£995m	-
● EBITDA*	£241m	4.8%
● Operating profit*	£168m	4.3%
● Profit before tax*	£84m	(5.6)%
● EPS*	14.9p	0.7%
● Interim dividend	4.55p	7.1%

*Before exceptional items and IAS 39 movements

H1 2008 Results - Summary

	<i>H1 08</i> <i>28 wks</i> <i>£m</i>	<i>H1 07</i> <i>28 wks</i> <i>£m</i>	
Operating Profit*	168	161	4.3%
Net Interest*	(84)	(72)	
PBT*	84	89	(5.6)%
Tax*	(24)	(28)	
Earnings*	60	61	(1.6)%
EPS*	14.9p	14.8p	0.7%
Average no. of shares	403m	413m	

* Before exceptional items and IAS 39 movements

H1 2008 Results – Exceptional Items and IAS 39 movements

<i>£m</i>	<i>Gross</i>	<i>Net</i>
Operating Profit		
Loss on swap closure	(182)	(129)
Strategic Review	(12)	(9)
Property disposals	5	3
Total Exceptional Items	(189)	(135)
IAS 39 movements	(16)	(12)

Operating Performance

	<i>H1 08</i> <i>28 wks</i> <i>£m</i>	<i>H1 07</i> <i>28 wks</i> <i>£m</i>		
Revenue				
Pubs & Bars	508	515	(1.4)%	} <i>Retail flat</i>
Restaurants	485	478	1.5%	
SCPD	2	2	-	
	995	995	-	
Operating Profit*				
Pubs & Bars	90	92	(2.2)%	} <i>Retail 4.4%</i>
Restaurants	77	68	13.2%	
SCPD	1	1	-	
	168	161	4.3%	

* Before exceptional items and IAS 39 movements

*H1 08**

<i>Divisional</i>	
Pubs & Bars	(0.5)%
Restaurants	2.2%

<i>Segmental</i>	
Residential	0.8%
High Street	0.3%

Total**	0.8%
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* Same outlet like-for-like sales for 32 weeks to include the entire Easter period

** Includes Hollywood Bowl

Underlying Profit Growth

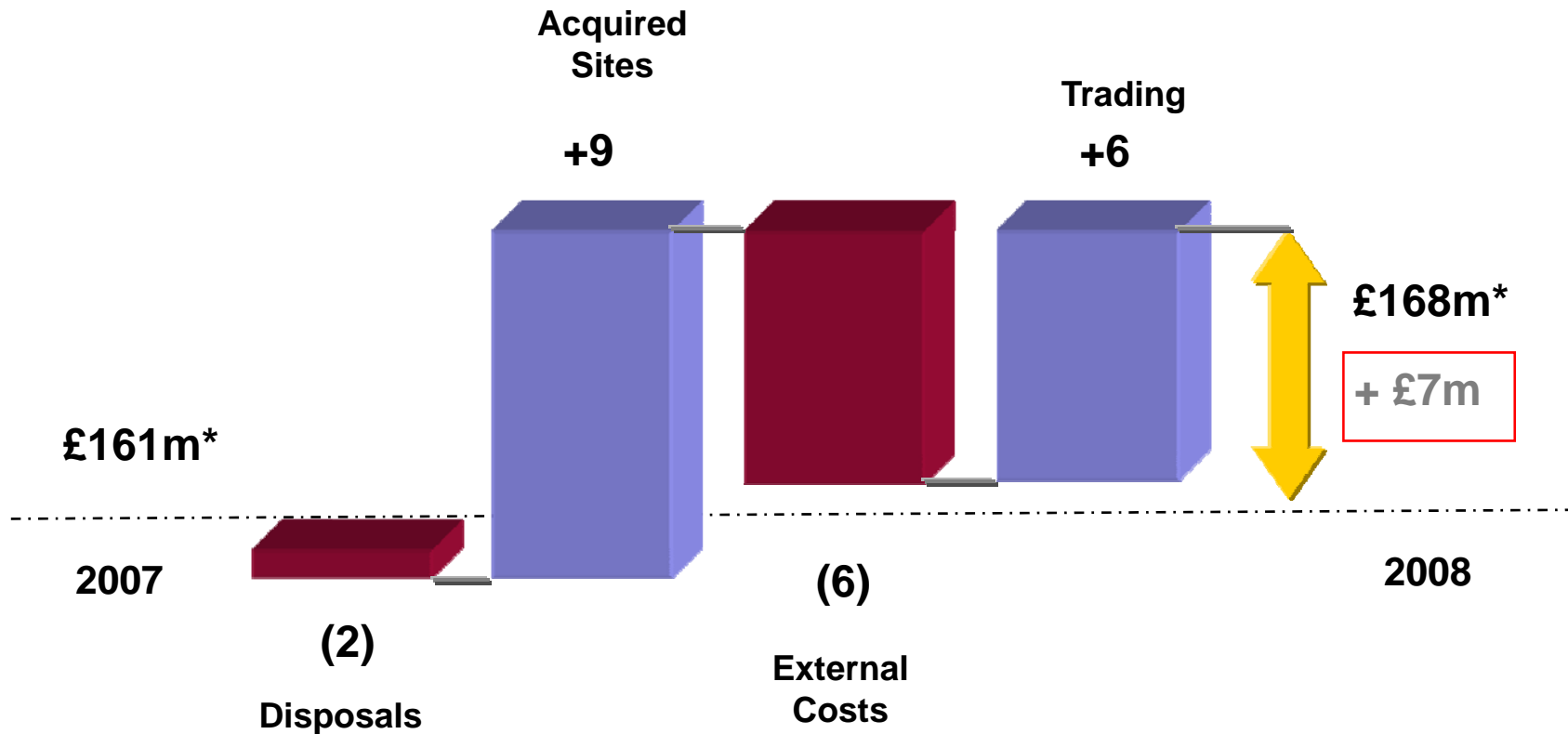
<i>H1 08</i>	<i>Division Total</i>	<i>Acquired Sites</i>	<i>Core Estate</i>	<i>Underlying Growth vs LY</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>%</i>
Pubs & Bars				
Revenue	508	13	495	(1.8)%
Operating Profit	90	2	88	(2.2)%
Restaurants				
Revenue	485	88	397	+0.5%
Operating Profit	77	11	66	+3.1%

Underlying net margin up 0.2% points

- **Same outlet food sales : up 5.1%***
- **Same outlet drink sales : down 1.5%***
- **Gross margin down 0.9% points**
- **Outlet staff costs : 24.4% of sales**
- **Tight cost controls**

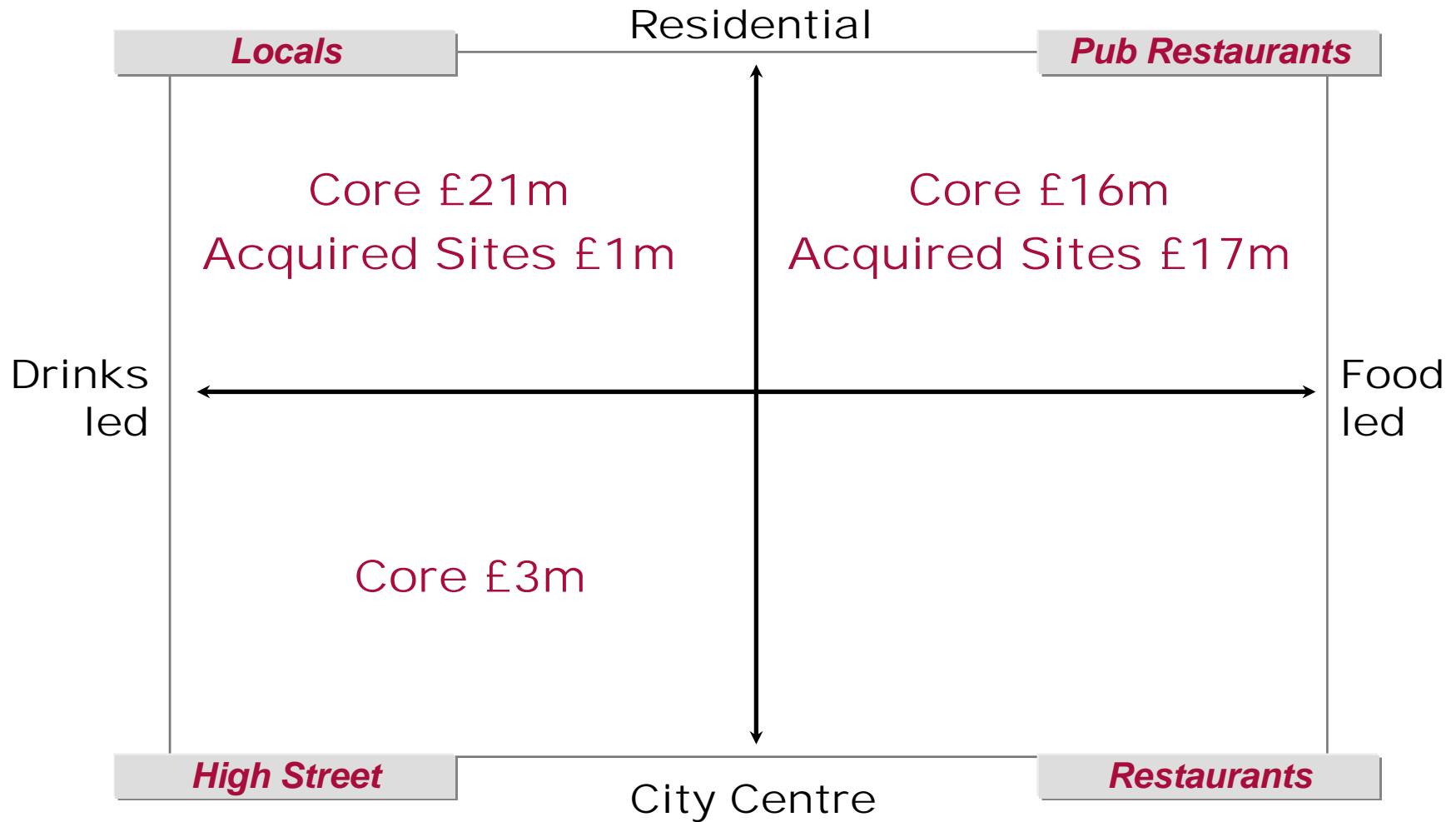
Net operating margin up to 16.8%

Operating Profit Movement



* Before exceptional items and IAS 39 movements

H1 2008 Expansionary Capital



<i>H1 08</i>	<i>£m</i>
EBIT	168
Depreciation & amortisation	73
EBITDA	241
Working capital / non cash items	22
Maintenance capex	(59)
Expansionary capex	(58)
Disposals	54
Additional pension contributions	(20)
Operating Cash Flow after Net Capex*	180

} £(117)m

* Before total expenditure on exceptional items of £386m on swap close out and £6m of Operating Exceptional Expenditure

<i>H1 08</i>	<i>£m</i>
Operating Cash Flow after Net Capex	180
Net Interest paid	(78)
Tax paid	(4)
Dividends paid	(40)
Issue of share capital	2
Shares repurchased	(5)
Net Cash Flow*	55

Exceptional Cash Flow Items **£392m**

Closing Net Debt : £2,822m

* Before total expenditure on exceptional items of £386m on swap close out and £6m of Operating Exceptional Expenditure

- **Net Debt : EBITDA*** **5.8x**
- **Book Gearing**** **67%**
- **Interest Cover***** **2.0x**
- **IAS 19 Pension deficit** **£7m**
- **Fixed Asset Value** **£5.0bn**

Strong balance sheet and financial platform

* MAT

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

*** Excluding net finance income from pension

<i>MAT to H1 08</i>	<i>OpCo</i>	<i>PropCo</i>
Sales	£1.9bn	
EBITDAR	£528m	
Rent	(£285m)	£240m
EBITDA	£243m	£240m
EBIT	£110m	£240m
Interest	-	(£170m)
PBT	£110m	£70m

Note: Interest is calculated on current weighted average cost of debt at existing net debt levels

- **Well positioned to benefit from the growing eating out market**
- **Strong operational performance driving productivity gains**
- **Opportunity for leverage from Acquired Sites**
- **Continued strong cashflows**
- **High returns on capital**
- **Continued intent on realising property value**
- **Interim dividend increase of 7.1%**

Well positioned to deliver continuing out performance

Tim Clarke

Chief Executive

Interim Results – 20 May 2008

- **Intensive review of strategy and business plan**
- **Assessment of future options for capturing value of property estate**
- **Preliminary indications of interest in business**
- **Merger proposal from Punch – subsequently withdrawn**
- **Business plan presentations to interested parties**
- **Detailed proposals from private equity for strategic investment**
 - **To support accelerated growth and consolidation**
- **Approach made to Punch for acquisition of Spirit**

Open and transparent process for value creation

- **Business model: robust, sustainable and competitively advantaged**
- **Strong trading performance amidst challenging consumer environment and smoking ban**
- **Accelerate implementation of operational strategy for out-performance**
- **REIT structure, preferred route to unlocking property value**
- **Focus on high exit multiple “gold brick” disposals**
- **Strengthen property skills of Board**
- **Pursue managed pub sector consolidation opportunities**
- **Maintain dialogue with private equity on funding potential acquisitions**
- **Explore options for additional value from non-core assets**

Enhanced operating, property and consolidation focus

- **Commitment to capturing property value for shareholders**
- **REIT opportunity when financial conditions permit**
 - **High quality rental streams**
 - **Tax benefits**
 - **High dividend**
 - **Higher value placed on dedicated property vehicle**
- **Robust operating business model**
 - **Appropriate starting rental levels**
 - **Long term leases**
 - **Quality sites, brands, operations capable of above inflation growth**
 - **Attractive equity growth prospects**

Pursue opportunities for value creative implementation

- **Strong track record of sales and profits uplifts on acquisitions**
 - **Harvester**
 - **Ex-Allied sites**
 - **Ex-Whitbread sites**
- **Pursue estate opportunities where significant potential to raise average profitability to MAB levels**

Pursue value creation opportunities beyond organic development

- **Explore opportunities for value creation from non-core assets**
 - **Lodges**
 - **Hollywood Bowl**
 - **Alex**
- **Demonstrating inherent value of the estate**
 - **£54m on 18x EBITDA multiples**
 - **Market for individual quality assets**

Pursue value creation opportunities beyond organic development

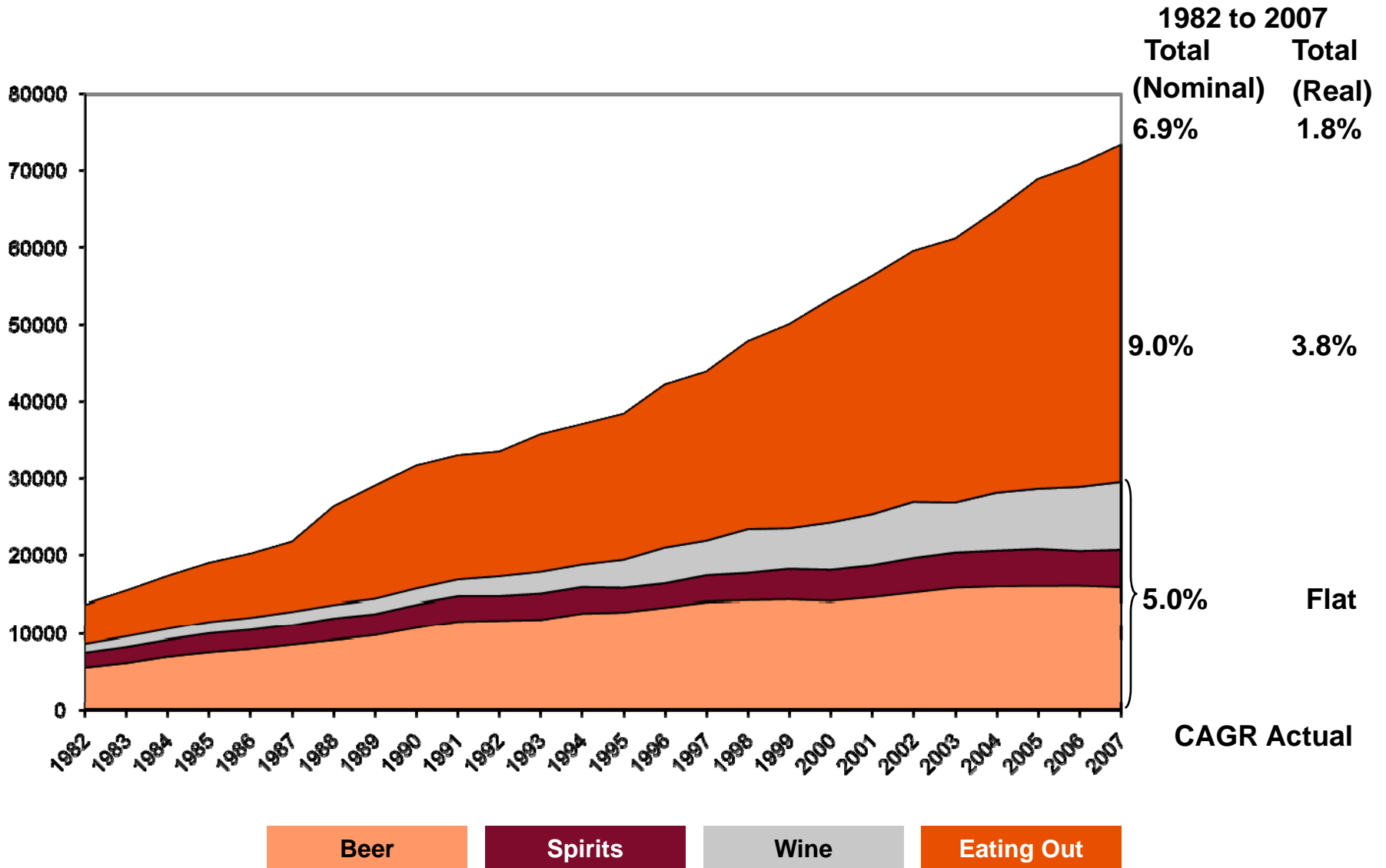
- **Customer focused value and volume strategy**
 - **Food sales growth**
 - **Drinks market share gains**
- **Prime sites and market leading brands**
 - **Format innovation and evolution**
 - **Strong sales and profits uplifts in Acquired Sites**
- **Sustaining operating margins**
 - **Accelerated productivity gains**
 - **Purchasing and overhead efficiencies**
 - **Mitigating input cost inflation**

Widening trading out-performance

- **Rapid growth in value food demand**
- **Mid-market responsive to menu and service quality enhancement**
- **Resilience of food related drinks sales**
 - **Wines, soft drinks, coffee**
- **Severe decline in solus drinking occasions**
 - **Impact of smoking ban and off-trade pricing**
 - **Beer, spirits, machines**
- **Smoking ban has widened the appeal of pubs**
 - **Families, females, pensioners, more affluent**
 - **Quality of amenity, service and food is crucial**

MAB focus on growth segments of pub market

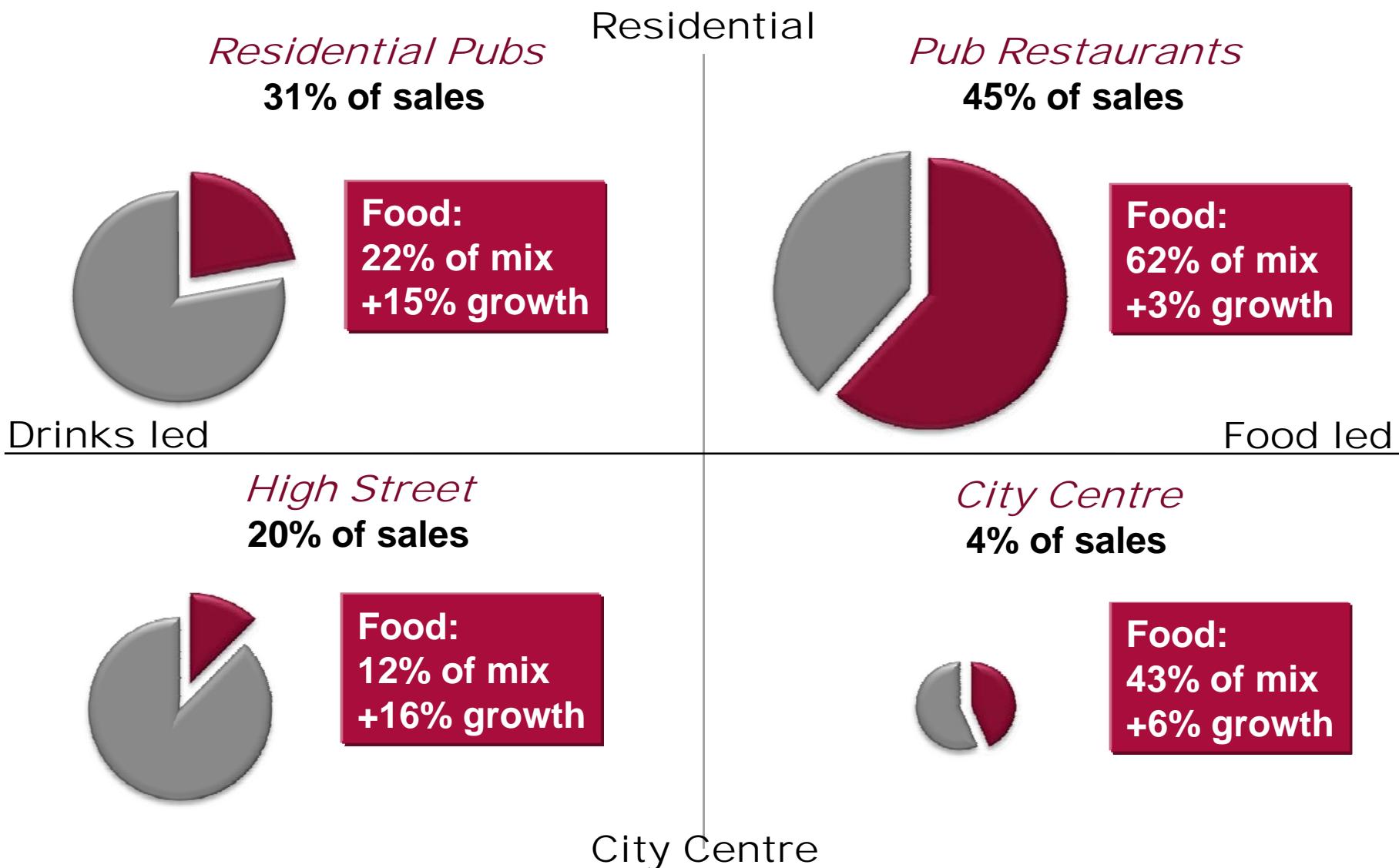
The Market - Consumer Expenditure



Source: ONS

NB. Eating-Out Market includes Soft Drinks

Repositioned to growth – H1 2008



Note: 1. Pie charts equate to total sales in each quadrant split food and drinks/ other
2. Excludes Hollywood Bowl (24 outlets) and Alex (42 outlets)
3. Percentages and growth equate to UK managed sales in H1 2008

Profitable market share gains

*MAB
Volume Growth (1)*

*Estimated
Market Volume Growth (2)*

Food

7%

3%

Wine & Soft Drinks

1%

-3%

Spirits

-7%

-6%

Beer & Cider

-3%

-8%

(1) Same outlet like-for-like growth

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

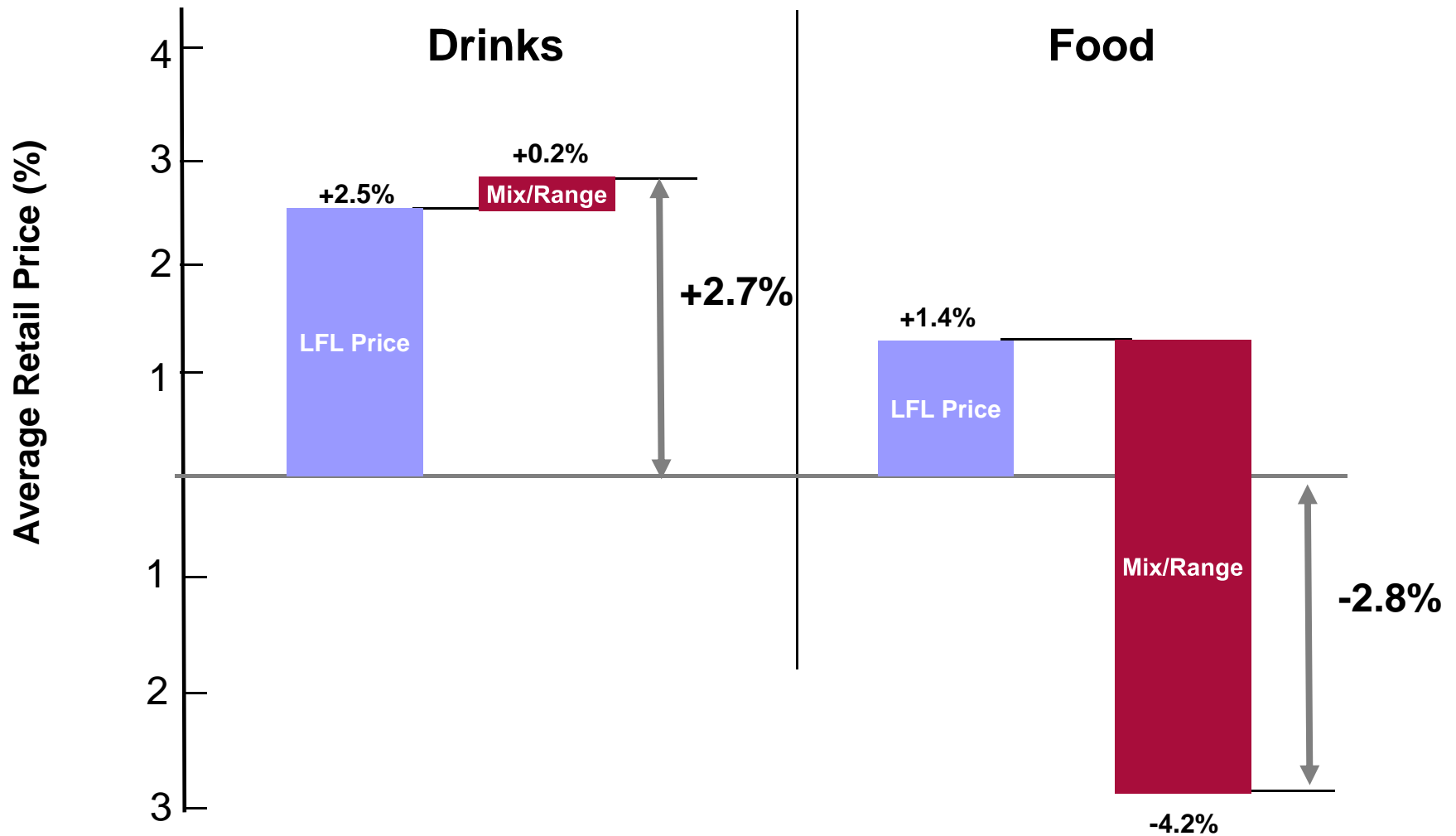
N.B. Drinks volumes to end Feb to negate Easter effect

- **Food sales mix 38%***
- **Like-for-like food sales up 5.1%****
- **Total food sales up 5.8%**
- **Average weekly food sales per pub up 8.1%**
- **Average number of meals served per pub per week up 10.3%**
- **Serving over 110 million meals per annum**
- **Enhanced purchasing scale**

Food volumes up 74% in 5 years

* MAT basis

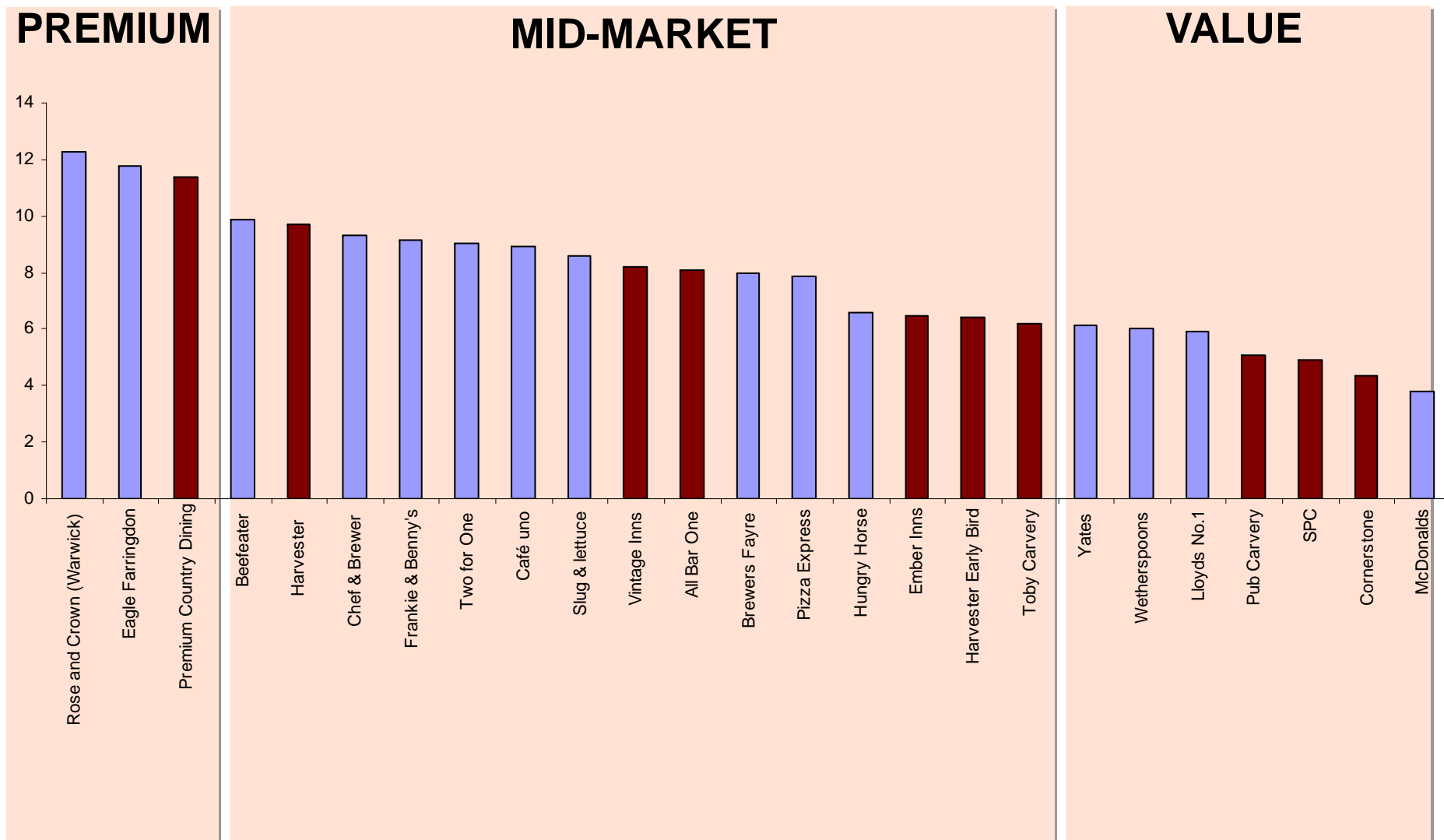
** 32 weeks trading



Value positioning to drive market share gains

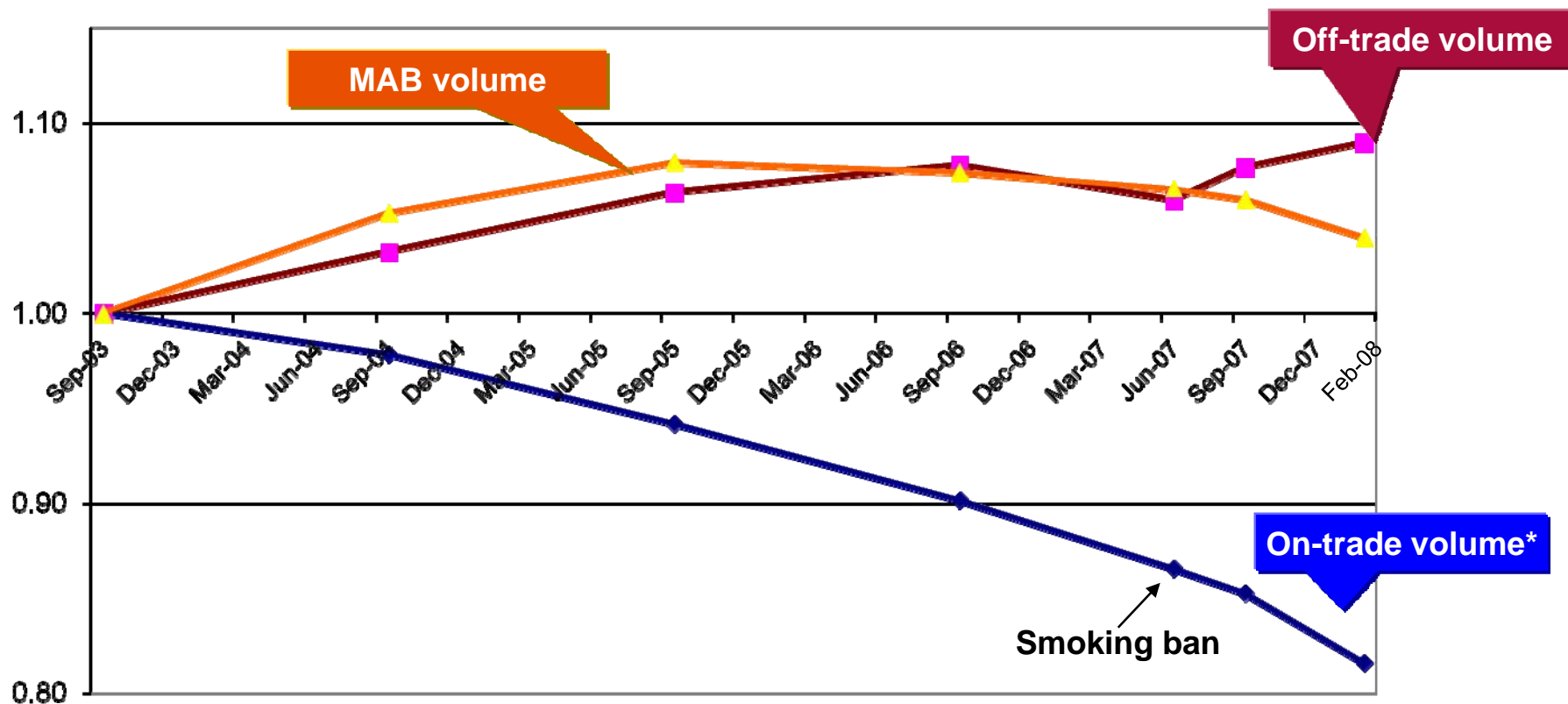
The Market - Value for money in all market segments

Average Price of a Main Meal (£s)



Source: Menurama

The Market - Outperforming declining on-trade beer market

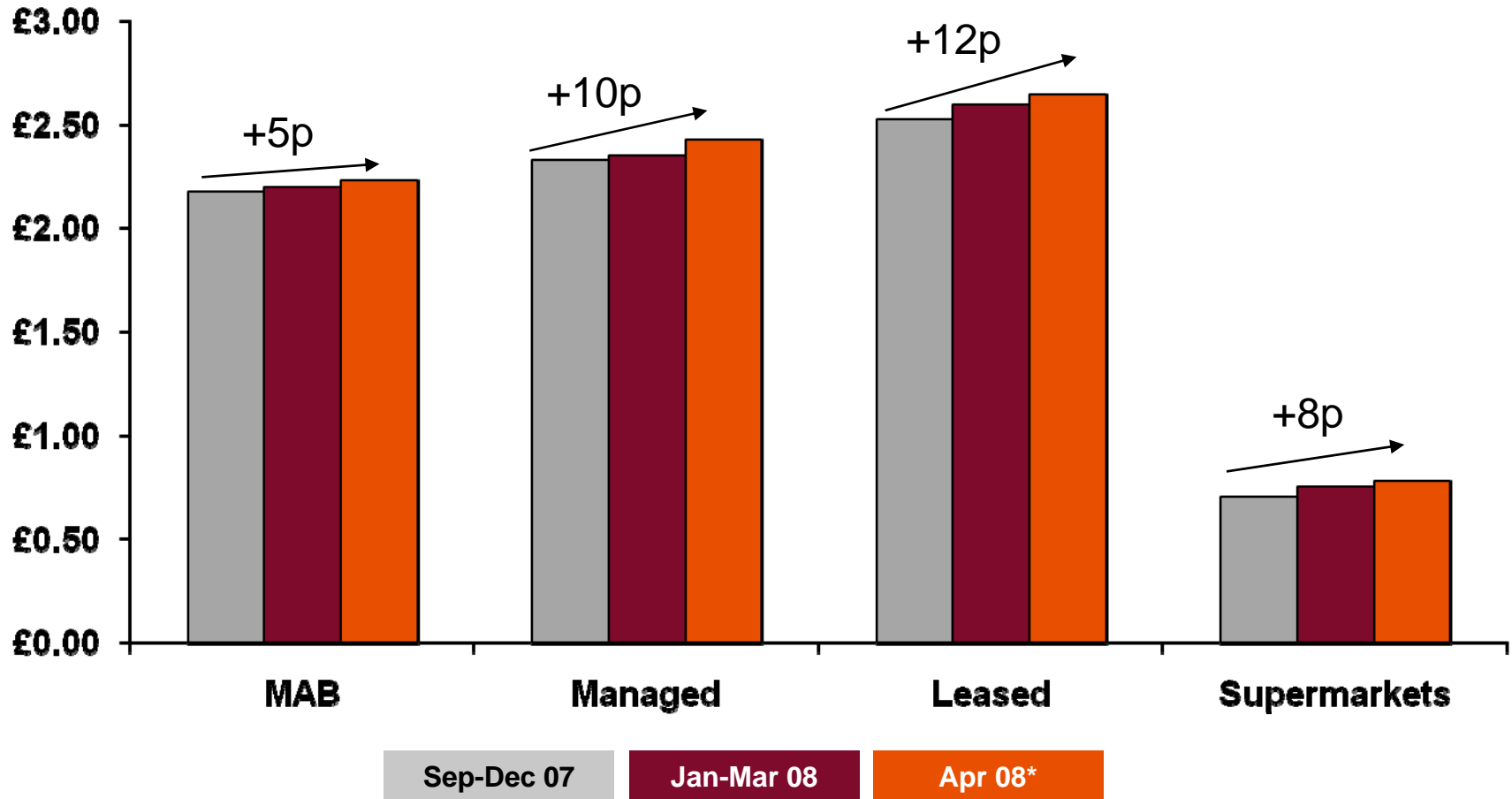


Sustainable profitability from market share gains

* Excludes MAB Volume. Source: Industry data.

NB. MAT same outlet volumes . Reflects drinks volumes to end Feb to negate Easter effect

Average Price per Pint of Standard Lager September '07 to April '08



MAB approximately 40p less per pint than leased

Source: AC Nielsen, MAB estimates

* MAB estimate based on independent CGA data

- **Productivity**
 - Rapid growth in staff contribution per hour +4.2%
 - Training, deployment, scheduling systems
- **Purchasing**
 - COGS index increases held to 2.9%
 - Volume growth mitigating commodity pricing pressures
- **Infrastructure efficiencies**
 - Rationalisation implemented
- **Overall fixed and variable costs reduction of £20m by year end**

Operating skills and scale efficiencies underpinning margins

- **Pub & Carvery**
 - Grown to 93 sites
 - Average sales uplifts of £5,300 per week
 - Serving over 3,000 meals per week
- **Sizzling Pub Co**
 - Grown to 191 sites
 - Average sales uplifts of £5,300 per week
 - Serving c.1,000 meals per week
- **Cornerstone**
 - Transforming community pubs – 20 currently
 - Average sales uplifts of £4,200 per week
 - Serving 700 meals per week

Format innovation to capture rapid growth in value food

- Improving growth trend
 - 2nd qtr like-for-likes +3.3%
- Successful margin reinvestment
 - Menu quality
 - Value
 - Training
- Vintage Inns turnaround
- Strong performances in Toby Carvery and Pub & Carvery



Old Six Bells, Vintage Inns, Horley



Toby Carvery, Harlow

Same outlet like-for-likes +2.0%

- **200 sites converted in one and a half years**
- **Sales uplifts of 19%**
- **Productivity gains**
 - **Employment ratio fallen from 32% to 27%**



The Scotsbridge Mill, Premium Country Dining, Rickmansworth

Rapidly executed delivery of growth targets

- **Repositioning to food: 22% sales mix**
- **Food sales up 15%**
- **Sharp acceleration of drinks market share gains**
- **Rapid expansion of Sizzling Pub Co., Cornerstone and Metro Professional**



Ember Inns



Greville Arms, Sizzling Pub Co, Solihull

Same outlet like-for-likes -0.6%

- 24% of sales
- Central London buoyant:
 - All Bar One, Browns, Nicholson's
- Successful repositioning of O'Neill's, Scream and Town Pubs
- Pressure on circuit venues
- Food growth +11%
- Rapid growth in breakfast and coffee



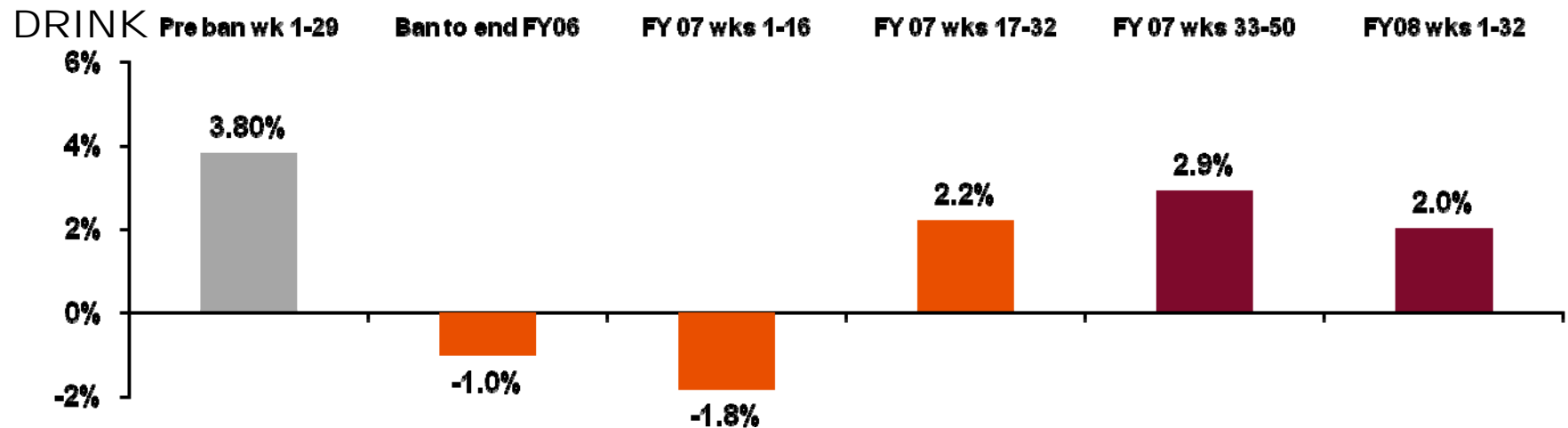
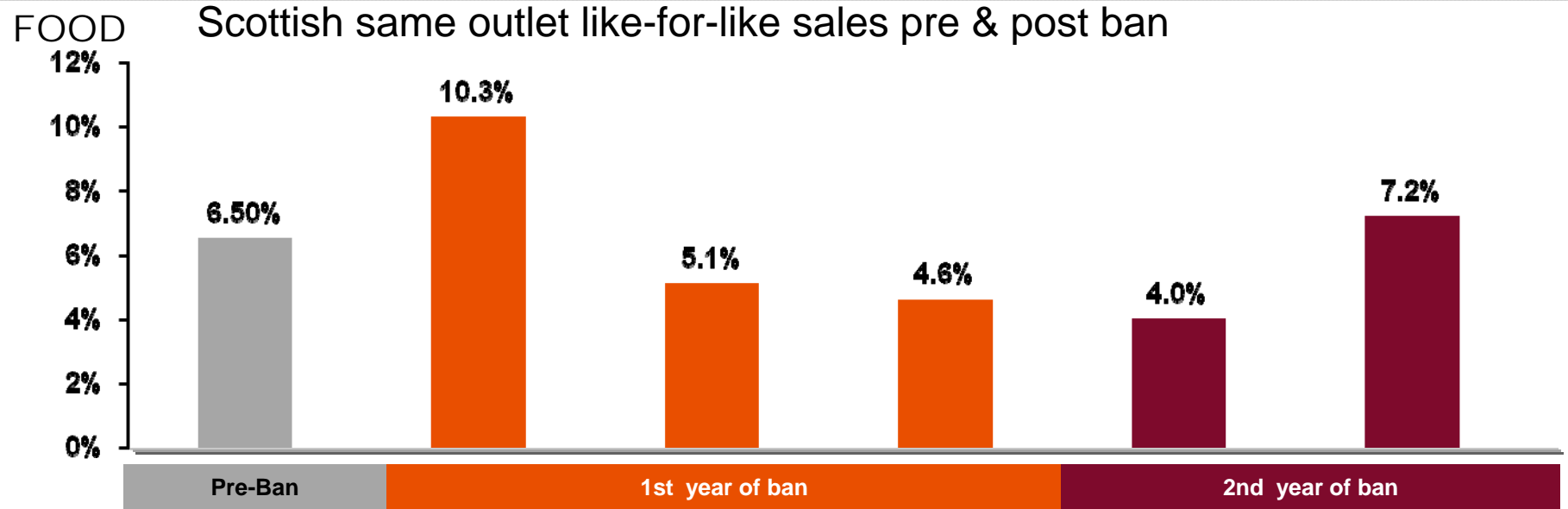
Browns Windsor



The Clarence, Nicholson's Dover St

Same outlet like-for-like sales growth +0.3%

The Scottish Experience - Smoking Ban



Smoking ban accelerates the trends within the on-trade market

- **Weak outlook for discretionary consumer spending**
- **Structural decline of on-trade beer market**
- **Growth of value casual dining**
- **Resilience of drinks sold with food occasion**
- **Input cost inflation: food, energy and duty**
- **Productivity and scale efficiencies to mitigate cost pressures**
- **Consumer appeal of MAB formats to new users**
- **Value and volume sales strategy driving share gains**

Out-performing a challenging market

- Estate and brand positioning to growth markets
- Brand management: innovation and evolution
- Menu development
- Drinks ranging, merchandising and serve quality
- Amenity standards
- Pricing trials and stocking efficiency
- Sourcing and supply chain scale
- Capacity management and service training
- Productivity and scheduling systems

Increasing sophistication and complexity of high take, branded, managed pubs

- **Same outlet like-for-likes up 3.4% in first four weeks of second half**
- **Followed weather impacted, early Easter, trading**
- **Acceleration of food sales growth with new summer menus**
- **Widening drinks share out-performance**

Good start to second half

- **Strategic review substantiated merits of the MAB model**
- **Operational strategy delivering robust trading growth**
- **Confidence in widening out-performance against the market**
- **Commitment to unlocking property value**
- **Financing capability to grow organically**
- **Powerful platform to drive value creative consolidation**

Questions & Answers

Interim Results – 20 May 2008