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Finance Director

Bond Investor Briefing – 30 November 2006

Highlights – 52 weeks to 30 Sept 2006

- **Gross debt outstanding at last year end** **£1,837m**
- **Gross debt outstanding at this year end** **£2,455m**
- **EBITDA (reported)** **£396m**
- **EBITDA (pro-forma*)** **£394m**
- **Free cashflow** **£285m**
- **EBITDA DSCR** **2.8x**
- **FCF DSCR** **2.0x**

Tap issue in Q4: £655m additional debt
£450m FRNs refinanced

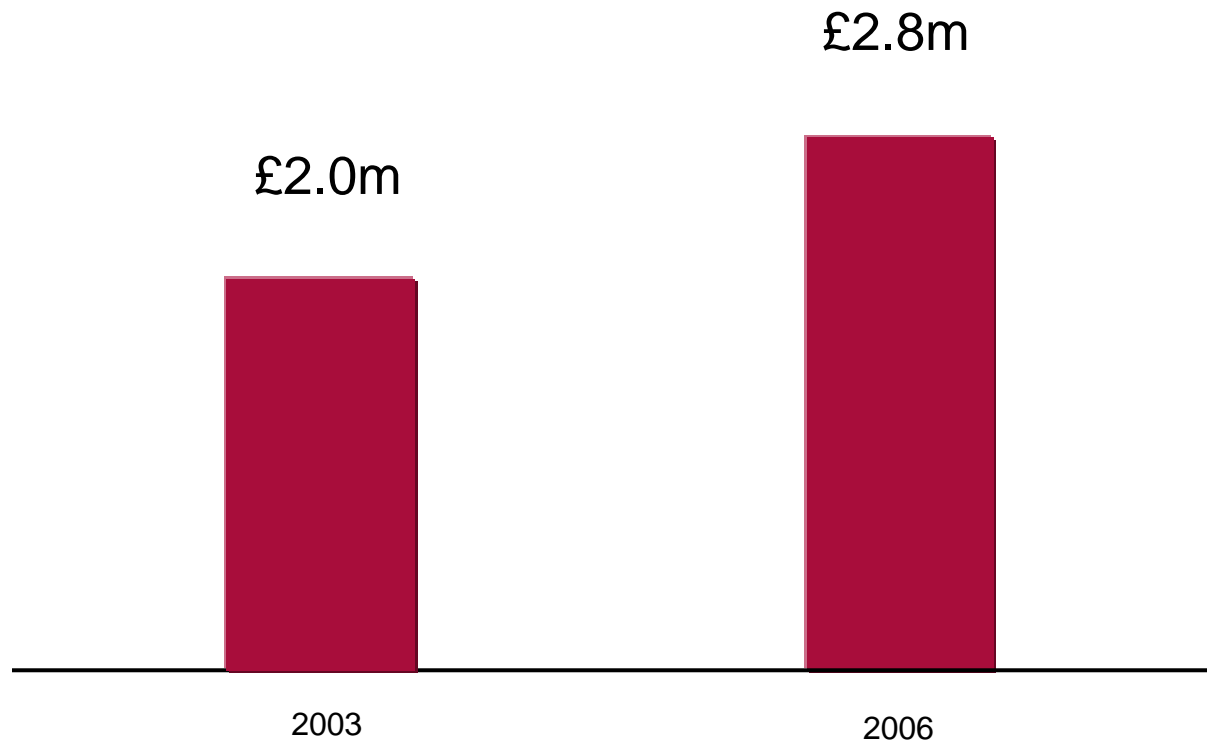
* Based on rated estate of 1704 pubs (for tap issue)

Reported EBITDA	£396m
Full year from 16 acquired pub restaurants	£8m
Disposals of 100 pubs to Trust Inns	(£9m)
Other disposals / consented disposals	(£4m)
Associated reduction in management charge	£3m
Pro-forma EBITDA (ongoing estate)*	£394m

239 pubs acquired from Whitbread held outside securitisation

* Based on rated estate of 1704 pubs (for tap issue)

Average Value Per Pub



Estate Valuation	£3.85bn	£4.83bn
LTV	49%	51%

Maintenance & Capital Enhancement

Securitisation Estate

	£m	
Repairs*	32	} 136 **
Maintenance	104	
Enhancement	52	
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	188	
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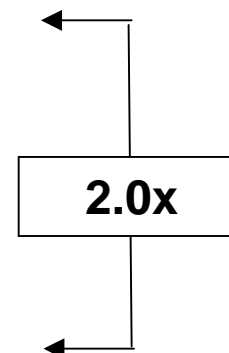
Substantial investment to improve estate quality

*Charged through Profit & Loss account

** Versus required amount of £101m

Free Cash Flow

	£m
EBITDA	396
Tax	(43)
Required maintenance capital	(68)
Free cashflow	<u>285</u>
Interest	(107)
Principal repayment	(37)
Debt Service	<u>(144)</u>
Maintenance capital (over required)	(35)
Enhancement capital (net of disposals)	(28)
Excess cash	<u>78</u>



The restricted payment maximum is now £31m

Securitisation Covenants

	FY 05	FY 06		
	Year	H1	H2	Year
FCF: Debt Service	1.9x	1.9x	2.2x	2.0x
EBITDA: Debt Service	2.7x	2.7x	3.0x	2.8x
Net Worth	£1.28bn			£2.21bn

Well within required covenants

Note: Default Covenants. FCF/Debt Service 1.1x, Net Worth of £0.5bn

Restricted Payment Test. FCF/Debt Service 1.3x, EBITDA/Debt Service 1.7x

MAB Retail vs MAB plc

	FY06 EBITDA	No. of pubs (Year end)
	_____	_____
MAB plc	£430m	2152
MAB Retail (Securitisation)	£396m	1847
MAB Retail as % of total	92%	86%

Securitisation estate continues to represent over 85% of MAB

Financial Highlights

52 weeks ended 30 September 2006

% Growth

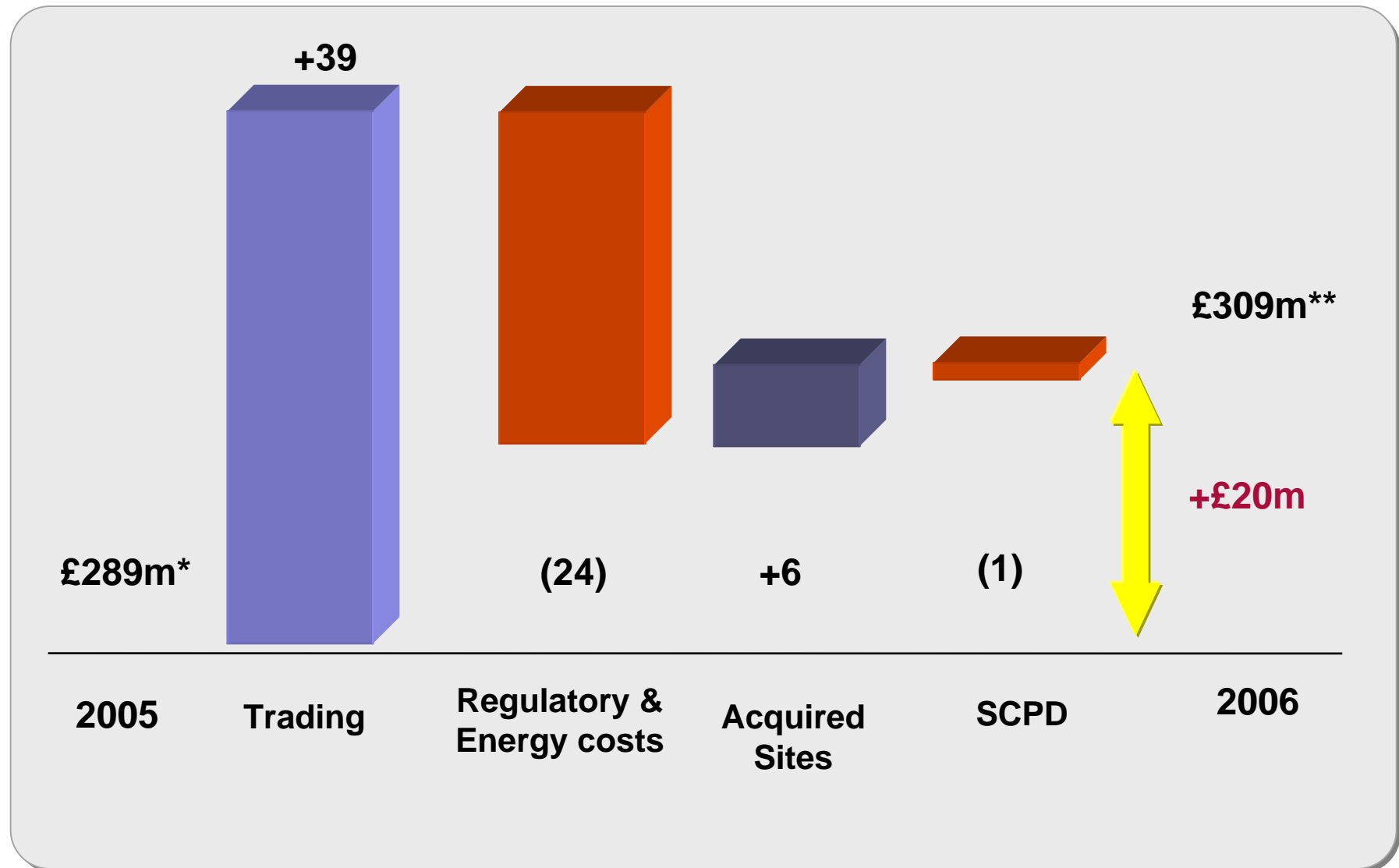
Revenue	£1720m	5.5%
EBITDA*	£430m	6.7%
Operating profit*	£309m	6.9%
Profit before tax*	£208m	10.1%
EPS (before exceptional items)	29.3p	15.4%
EPS (including exceptional items)	39.7p	59.4%
Total dividend	12.25p	14.0%

Net Operating Margin up 0.3% to 18%

*Before exceptional items

NB. Comparatives are for 52 weeks and are restated for IFRS

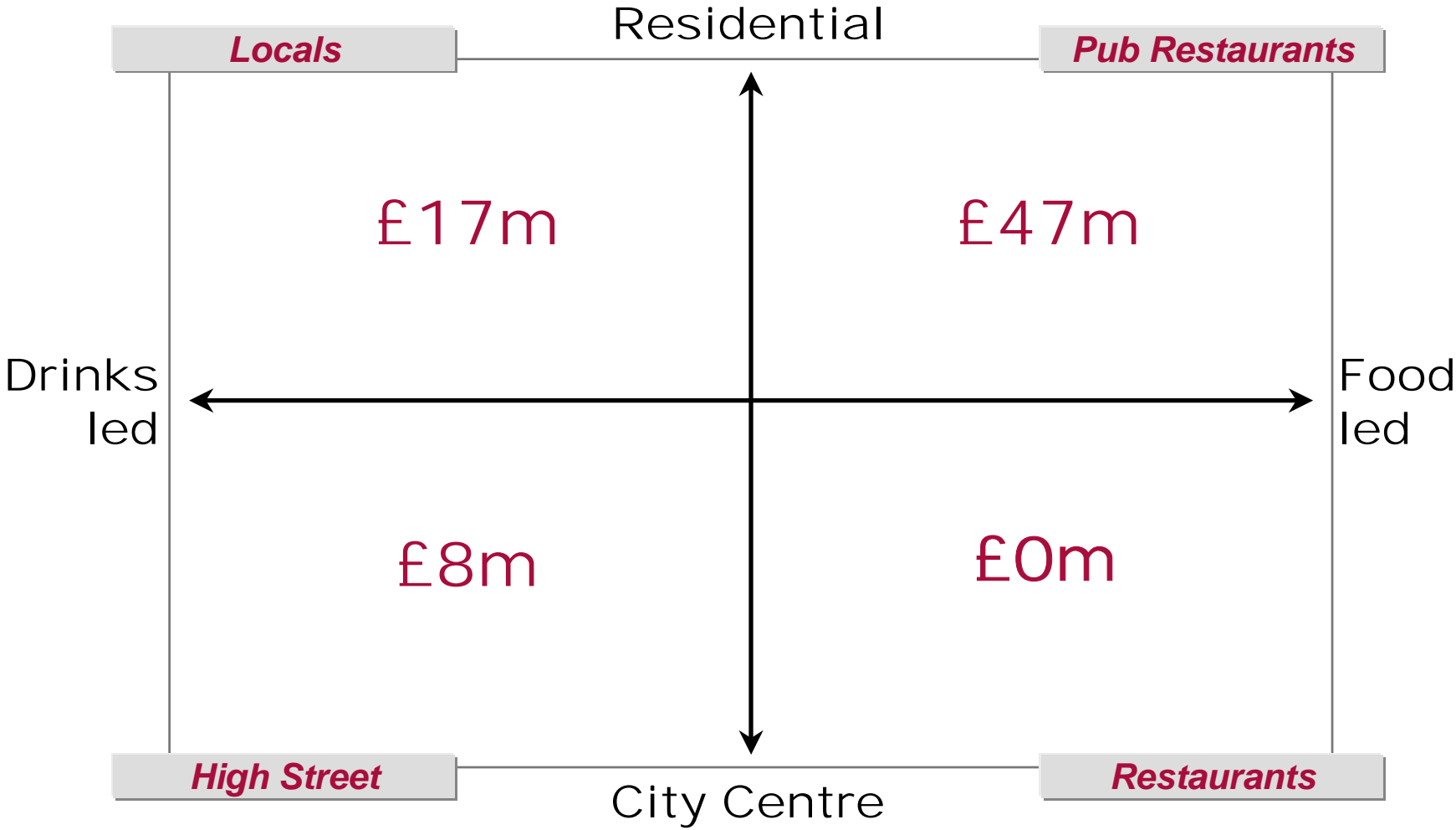
Operating Profit Movement



* For 52 weeks before exceptional items and restated for IFRS

** Before exceptional items

FY 2006 Expansionary Capital



Incremental ROI on last 2 years investment > 20%

Note: Excludes non trading property: £1m

Group Points to Note

- **Net debt now: c. £2.5bn**

- ◆ Interest cover* c.2.3x
- ◆ Net debt/EBITDA c.5.8x

- **Dividend**

- ◆ Total dividend 12.25p, up 14%
- ◆ Special dividend of £1 per share post year end
- ◆ Progressive policy

- **Pensions**

- ◆ £60m commitment
- ◆ £40m paid in October

- **Tax efficient structure for property assets**
 - ◆ Available from 1 January 2007
- **Would require split into two independent companies**
 - ◆ REIT and OpCo
- **Cost / benefit equation**
 - ◆ Tax advantages; conversion charge; other transition costs
 - ◆ Stability of new legislation; market ratings of separate entities
- **Fundamental strategic question**
 - ◆ Direct link between pub performance and property value
 - ◆ Possible to align economic incentives through contractual framework?

Testing compatibility of REIT with long-term trading success

- Strong operating performance
 - ◆ Growing sales; improving margin
 - ◆ Generating high returns on investment
- Property appreciation benefits
 - ◆ Value-creative disposals
 - ◆ Refinancing on attractive terms
- Using cash resources profitably
 - ◆ Acquired Sites provide additional platform for growth
 - ◆ Special Dividend and share buyback

Growing cashflow and generating value

John Butterfield

Strategy Director

Bond Investor Briefing – 30 November 2006

- **Customer focused, value and volume strategy**
- **Sustained like for like sales growth**
- **Market share gains**
- **Productivity and purchasing gains**
- **Acquisition gives eating out market leadership**
- **High returns from conversions**
- **Further repositioning of core estate to food**

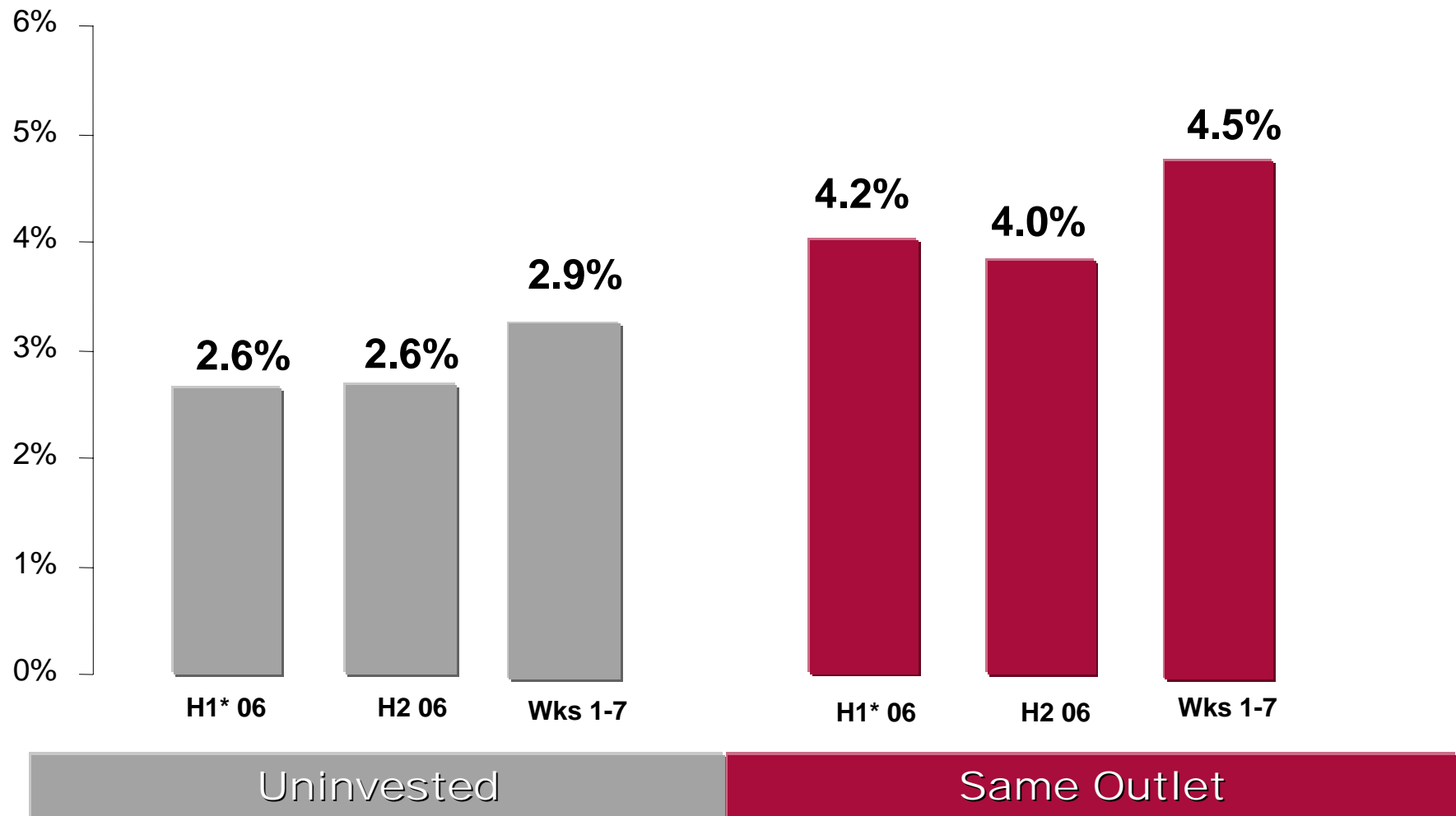
Powerful momentum of sales driven growth

Key Levers of Profits Growth

- **Leading the growth of eating out**
 - ◆ Large pubs, uniquely positioned to capture neighbourhood dining growth
 - ◆ High volume, capacity management skills
 - ◆ Menu development
- **Accelerating drinks market share gains**
 - ◆ Extended range, own label, glycol cooling
 - ◆ Widening the competitive value gap
- **Format innovation and evolution**
 - ◆ Targeting the high growth segments
 - ◆ Widening the competitive amenity gap
- **Extracting the profit benefits of scale**
 - ◆ High productivity gains in high take pubs
 - ◆ Rising volumes generate purchasing gains

Strong growth prospects

Strong Like-for-Like Sales Growth



* 32 weeks to include Easter in both years

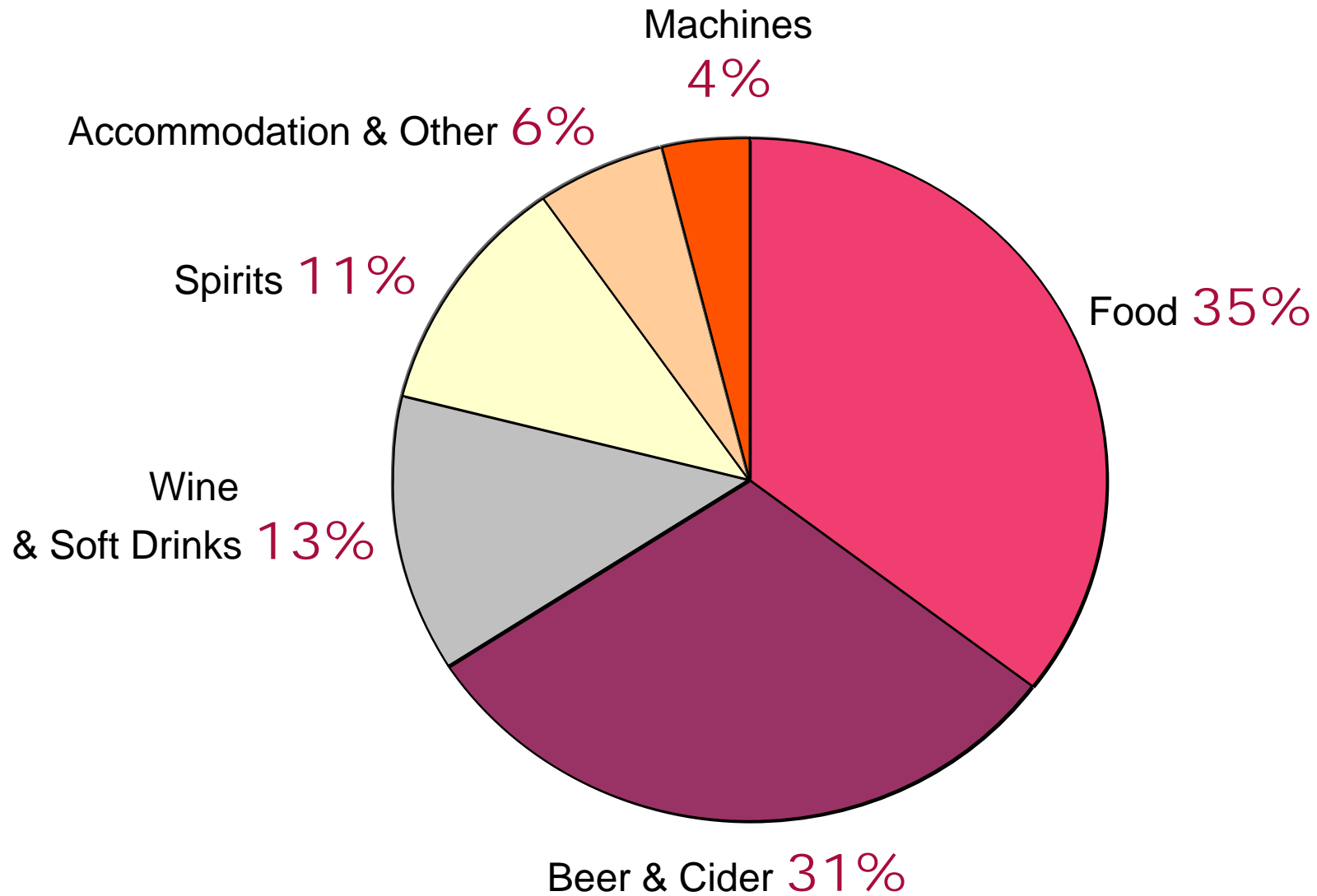
Profitable Market Share Gains



	<i>MAB</i> <i>Volume Growth (1)</i>	<i>Estimated</i> <i>Market Vol Growth (2)</i>
Food	+ 6%	+ 4%
Wines & Soft Drinks	+ 6%	+ 1%
Spirits	- 4%	- 5%
Beer & Cider	+ 1%	- 3%

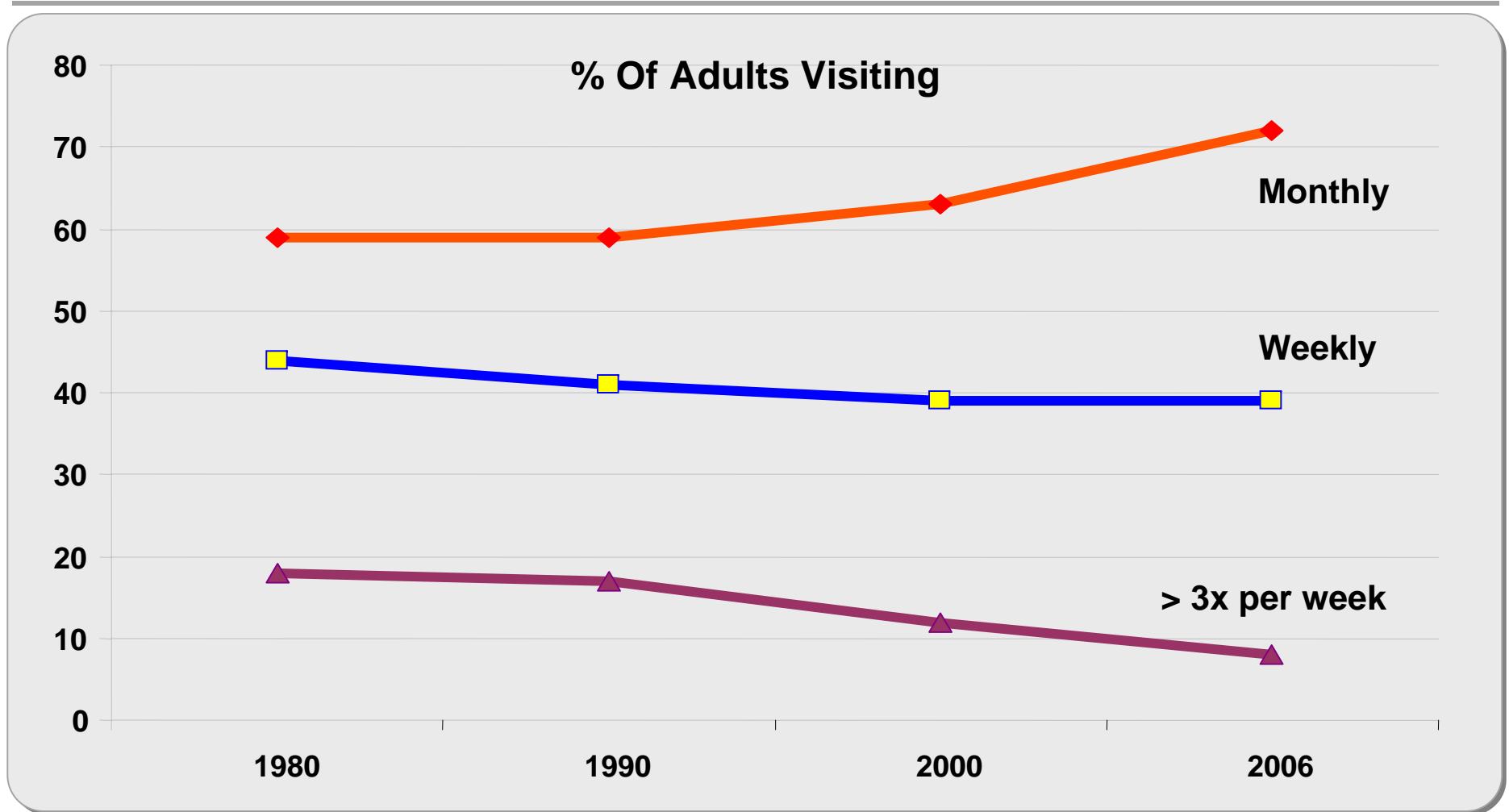
(1) Same outlet like for like for 52 weeks vs. equivalent 52 calendar weeks of FY2005 (incl. pubs disposed to Trust Inns in Oct 2006 but exc. Acquired sites)
 (2) MAB estimates based on BBPA/ AC Neilsen/ ONS for Pub Market

Repositioned to Growth - Product Mix*



*Pro-forma including the Acquired Sites and excluding sites disposed in FY06 and to Trust Inns Ltd in Oct 06

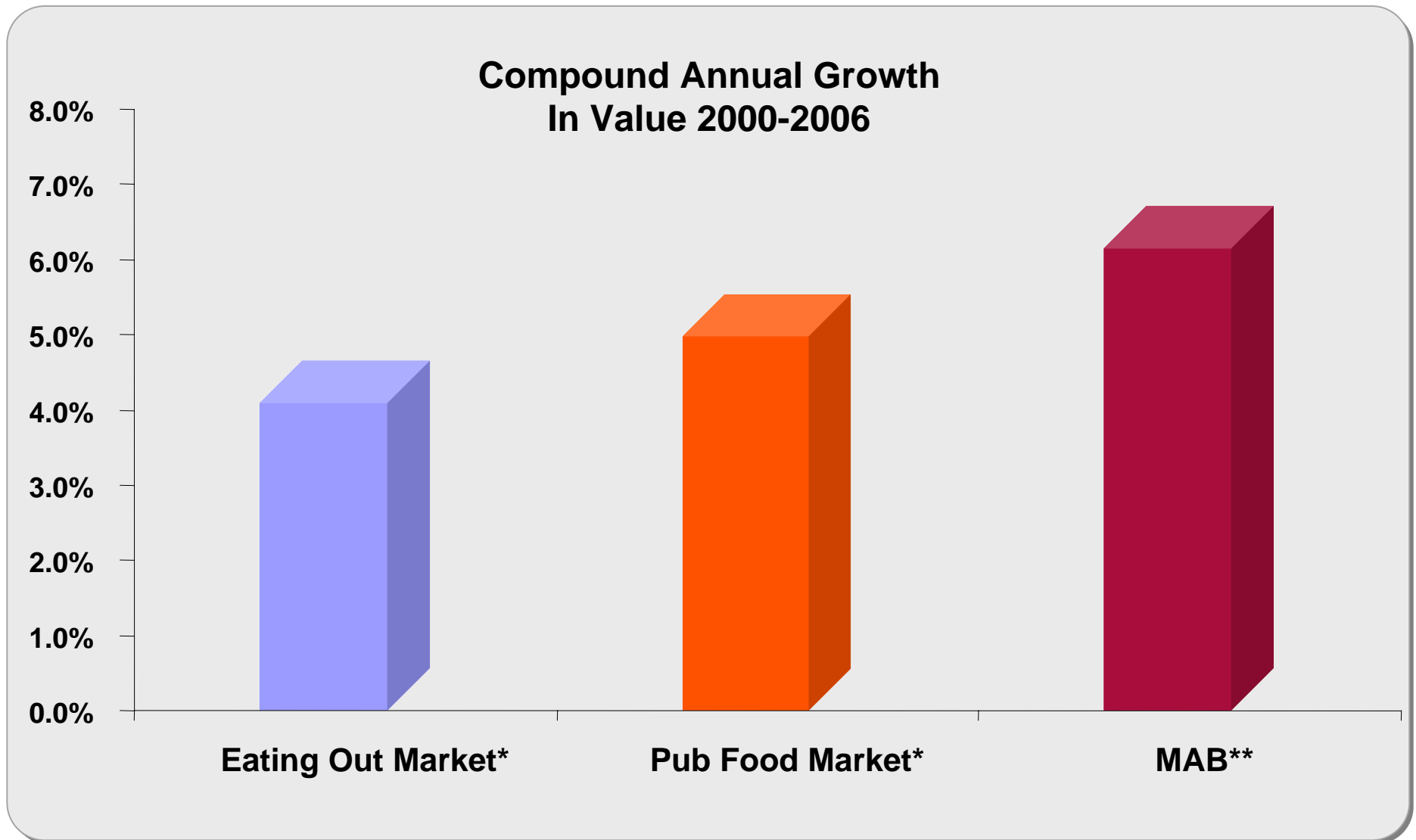
Rising pub usage by less frequent customers



44% visit a pub to eat at least once a month

Source: TNS Drinks Market Survey & Alcovision 2006

Capturing a disproportionate share of the growth in eating out

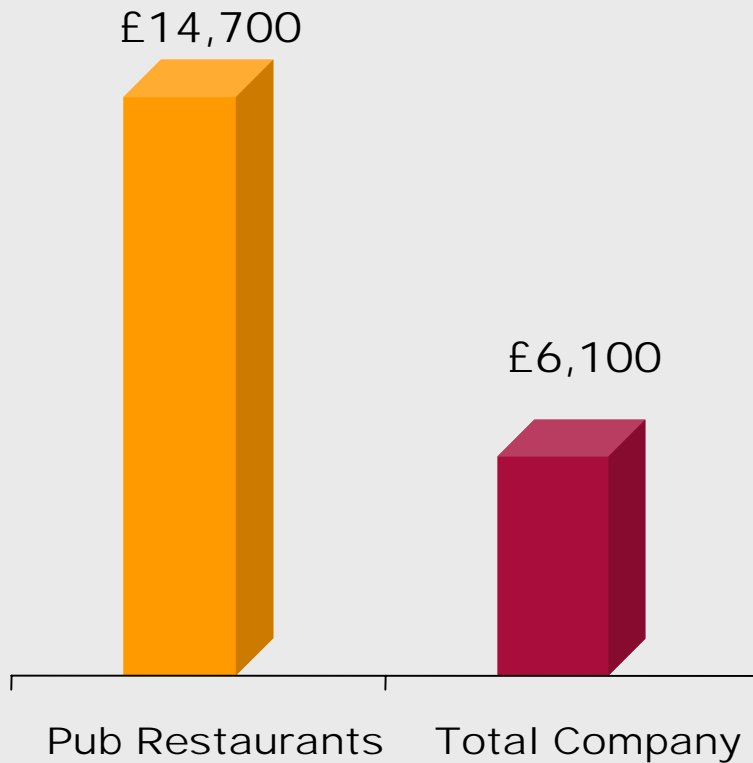


* Mintel Pub Catering August 2006

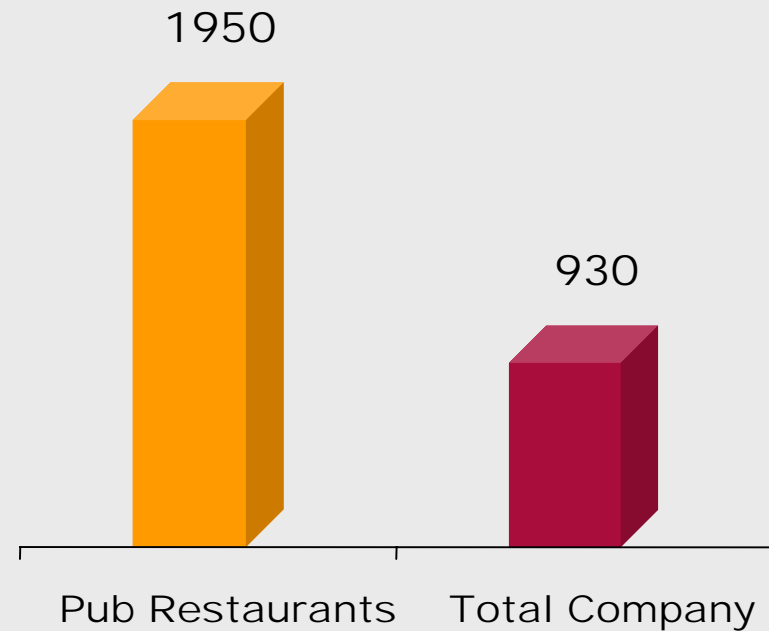
** excludes the Acquired Sites

High food volumes at pub and company level

Average food sales per week



Average meals per week



96 million meals per annum*

* including the Acquired Sites

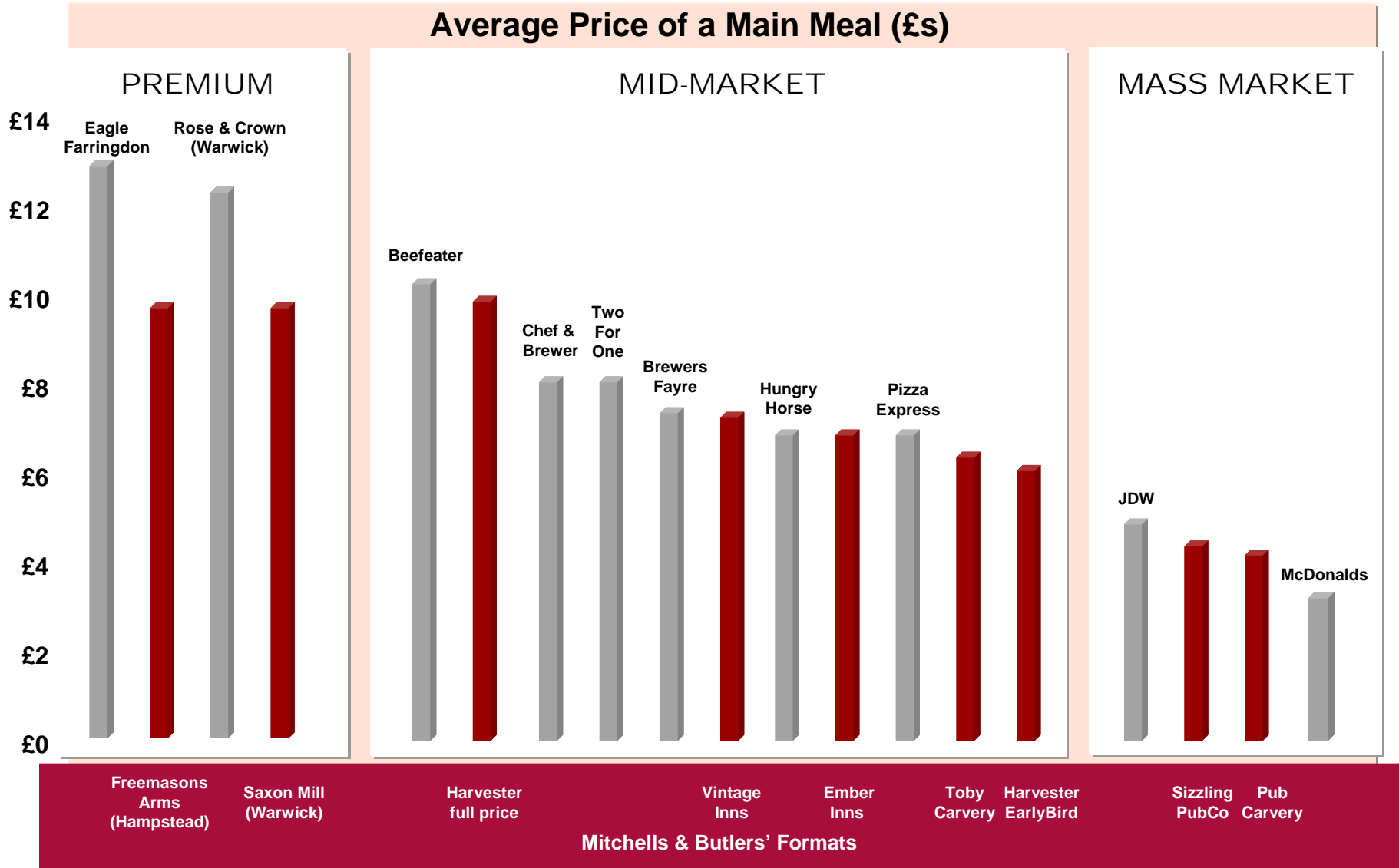
Food Priorities

- Quality on the plate
- Value for money
- Freshly cooked & healthy
- Responding to changing tastes
- Catering for all occasions
- Build kitchen capability
- Prompt and attentive service



Create offers that are hard to replicate at home

Value for money in all market segments



Source: Menurama

- **Informality and accessibility key to wide social appeal**
- **Strong bar trade is central to profitability**
- **Maximising ancillary drinks sales at the table**
- **Drinks' higher gross margins and lower employment costs underpin food value proposition**

Combining higher margins of drinks with faster growth of food

Drinks Priorities

- Widening range
 - ◆ Introduce new and innovative speciality beers
 - ◆ Wine, soft drinks and cider
- Focus on presentation
 - ◆ Glassware and serve style
- Improve serve quality
 - ◆ Glycol cooling systems now in 700 pubs
- Develop non-beer drinks
 - ◆ Wine, soft drinks



Focus on points of differentiation to “canned beer”

Widening the drinks range

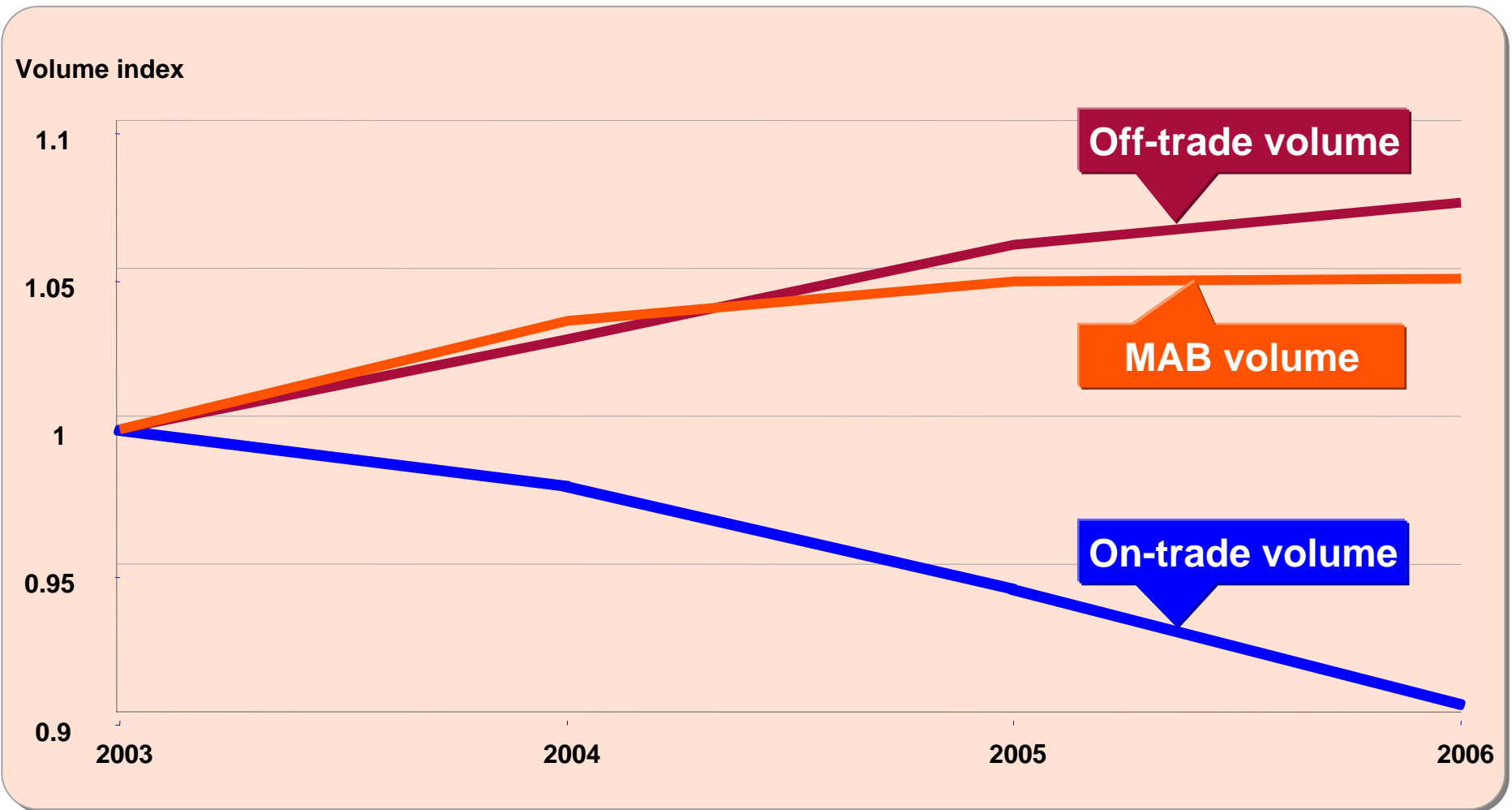
Number of Products

	<i>2001</i>	<i>2006</i>	<i>+/-</i>
Standard Lager	3	7	
Premium Lager	4	18	
Speciality beer	0	18	
Cider	10	18	
Total Beer	17	61	+44
Own Label	0	13	
Red	32	64	
White	66	111	
Rose	4	22	
Sparkling	12	22	
Total Wine	114	232	+118

Product Innovation – Draught Wine

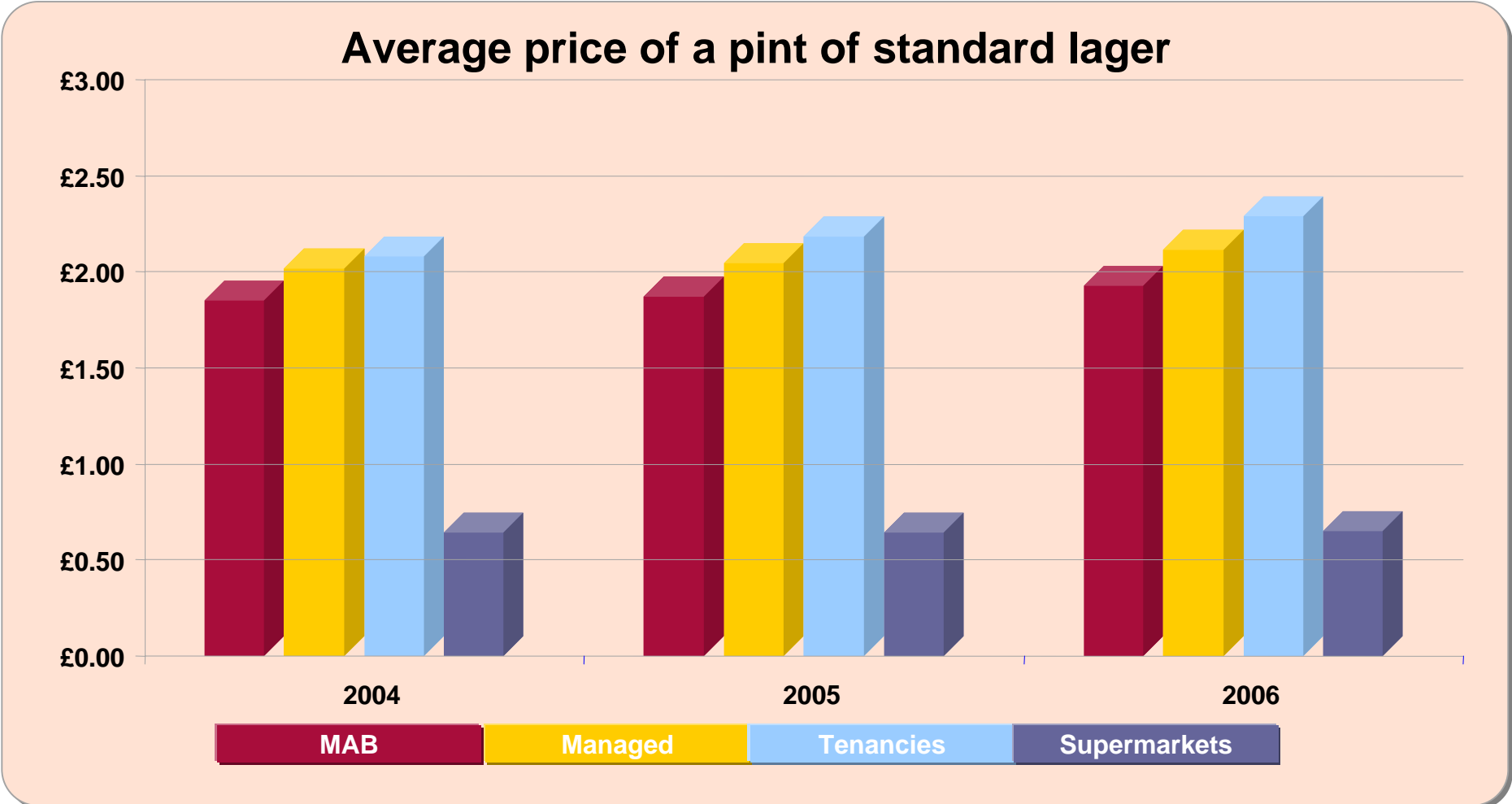


Gaining share in the declining on-trade beer market



Sustainable profitability from market share gains

Widening value gap



MAB now 18p cheaper than managed competition and 35p cheaper than tenancies

Source: AC Nielsen

Driving productivity through capacity management

- **Staff contribution per hour: +4%***
- **Increasing volumes enable**
 - ◆ More productive deployment of staff
 - ◆ More accurate forecasting and scheduling
 - ◆ Increased earnings for staff
- **Higher capacity utilisation**
- **Since FY 2003: Sales volumes up 13%, Staff hours up 4%**

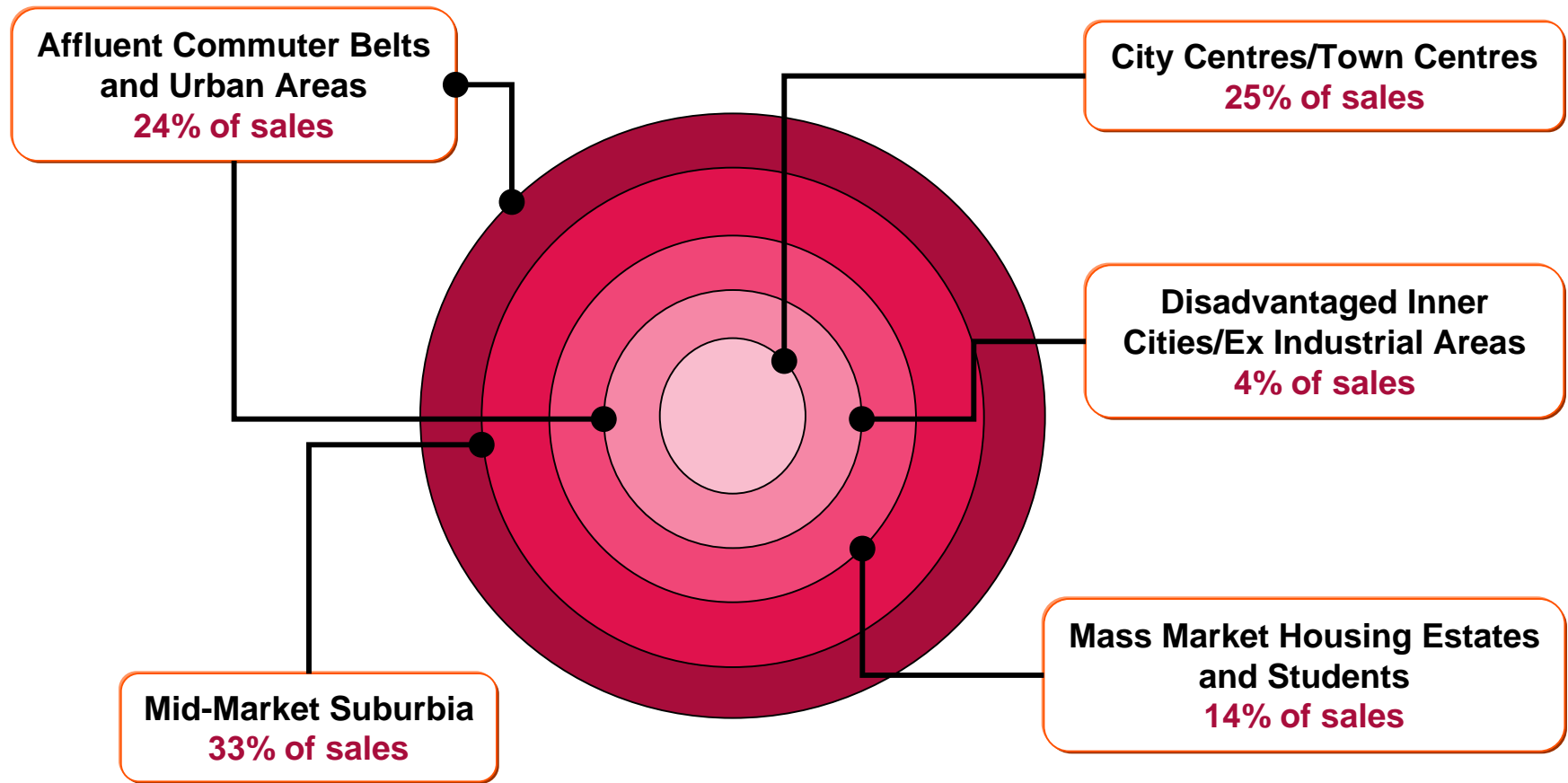
Productivity gains key to overcoming £24m last year of regulatory and energy cost increases

* Sales less hourly paid wages divided by number of hours worked

- **Unit COGS held flat off-setting:**
 - **duty**
 - **contractual increases**
 - **inflation**
- **Gains from first year of freedom from beer tie**
- **Logistics and technical service costs reduced**
- **Upward pressure on commodity food prices contained**

Improved purchasing terms enabled reinvestment in higher food specification and gross margins maintained

MAB locations positioned in higher growth markets



In 1990, c70% of the estate was in inner cities and industrial areas

* Includes Acquired Sites and after disposal to Trust Inns Ltd in October 2006

Acquired Sites – Conversion Progress in line with expectations

- **Intensive pre-acquisition preparations**
- **Rapid implementation of site appraisals and conversions**
- **25 sites reopened: 10% of estate**
- **50 sites to have reopened by Christmas: 21% of estate**
- **c.100 sites to have reopened by Easter: 40% of estate**

Growth in Pub Restaurants

- c.180 sites from Acquired Sites
- Neighbourhood, casual dining growth in mid market suburbs
 - ◆ Market leading food volumes:
 - ◆ Harvester: 2,200 meals / pub / week
 - ◆ Toby: 2,500 meals / pub / week
 - ◆ Pub Carvery: 2,550 meals / pub / week
- Segmenting the country pub dining market
 - ◆ Premium Country Dining
 - ◆ Bistro
 - ◆ Vintage Inns



Harvester, Windsor



Bulls Head, Bistro, Meriden

Same outlet like for like sales +5.4%

Residential Pubs

- Major drinks market share gains
- Repositioning to food: 20% sales mix
- 2nd half like for like food sales up 13%
- 50 conversions to Sizzling Pub Co and Ember in 06/07
- Disposed smaller pubs with limited food prospects



The Fieldhouse, Ember - Solihull



The Barley Mow, Sizzling Pub Co - Banbury

Same outlet like for like sales +4.7%

High Street / City Centre Markets



Blackfriar, Nicholson's – Central London

- **25% of total sales**
- **Central London: buoyant trading**
- **Town Pubs: strong growth**
- **Circuit venues: competition from later hours in local pubs**
- **Maximise food opportunity**

Same outlet like for like sales up 2.3%

Smoking Ban and Licensing Reform

Smoking

- **Scottish experience** *weeks 1-7**
 - Food sales +7%
 - Drinks sales -2%
- **80% of the England & Wales estate has external areas**
- **Attracting new food customers to smoke free pubs**

Licensing

- **Marginally positive for sales in FY06**
- **Helping reduction in alcohol related disorder across the country**

Repositioning the offers to overcome regulatory change

- **Good start to new financial year**
- **Consumer demand above expectations in 2006**
- **Further polarisation in demand trends**
 - ◆ Strong food and ancillary drinks growth
 - ◆ Beer decline intensifying
- **Priority of successfully converting acquired sites**
- **Pipeline of c.400 investment opportunities in core estate**

Widening consumer appeal of quality food pubs

- **Eating out market leadership**
- **Widening drinks market share gains**
- **Scale productivity and purchasing gains**
- **Powerful consumer formats generating high returns**
- **Conversion pipeline**
- **Generating and capturing asset appreciation**

Focus on long term, sustainable, real growth

Questions & Answers

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