Tim Jones

Finance Director

Bond Investor Update – 24 November 2010

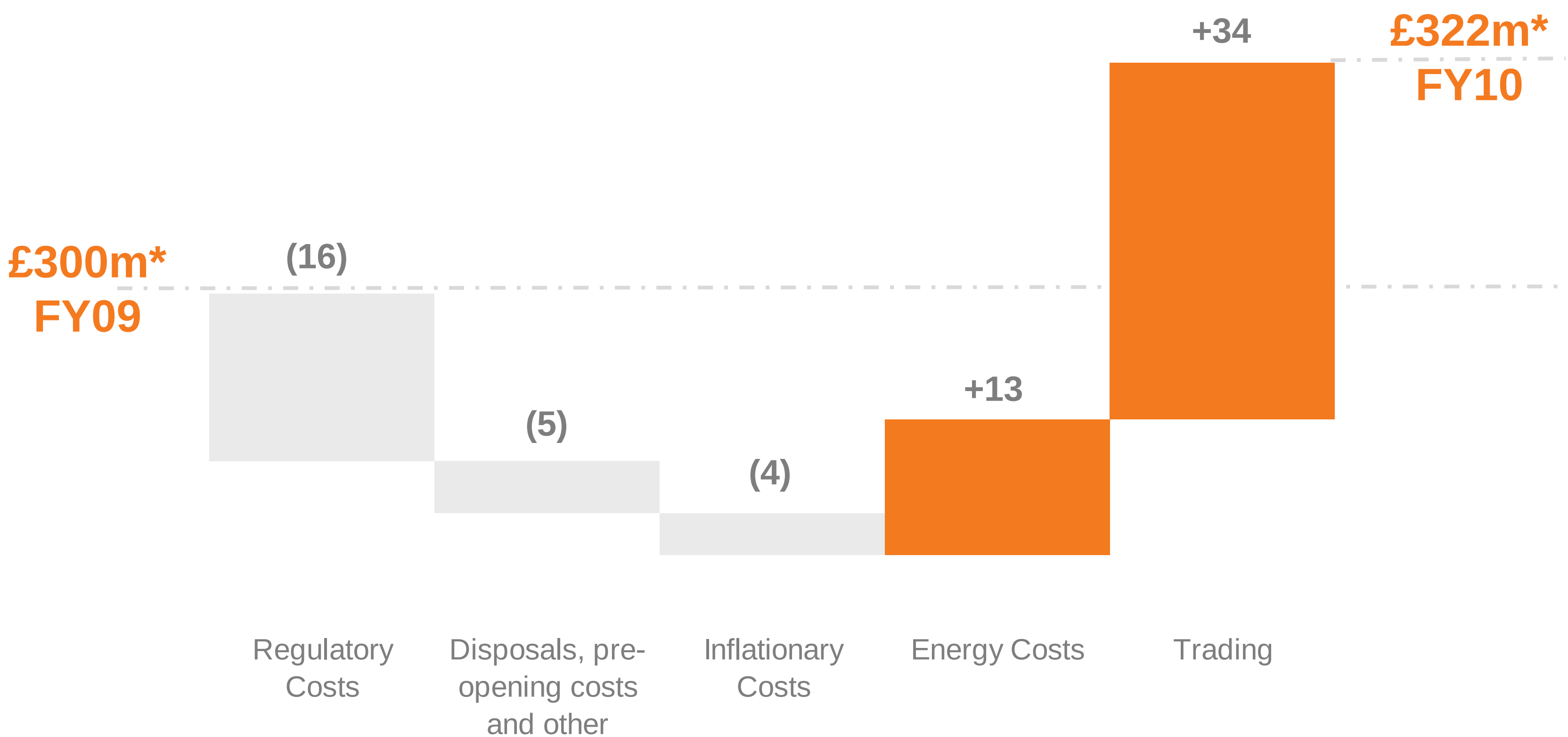
Income statement

52 weeks ended 25 September 2010

	FY09 £m	FY10 £m	
Revenue	1,958	1,980	+1.1%
Operating costs	(1,530)	(1,531)	
EBITDA	428	449	+4.9%
Dep'n & amort.	(128)	(127)	
Operating profit	300	322	+7.3%
Interest	(166)	(153)	
PBT pre exceptionals	134	169	+26.1%
Exceptional Items	(144)	(302)	
EPS (pre exceptionals)	23.6p	29.7p	+25.8%

Strong margin growth driving profits increase

Operating profit movement



Good trading offsets VAT & regulatory cost increases

* Excluding exceptional items and other adjustments

Major transactions

	# of sites	Date	£m
Completed FY10			
Lodge sale	52 lodges & 8 pubs	Aug	+91
Hollywood Bowl sale	24 bowls	Aug	+39
Completed FY11			
Bar Ha Ha purchase	22 pubs	Oct	(20)
Stonegate sale	333 pubs	Nov	+363

Significant estate repositioning

Proforma Retained Estate

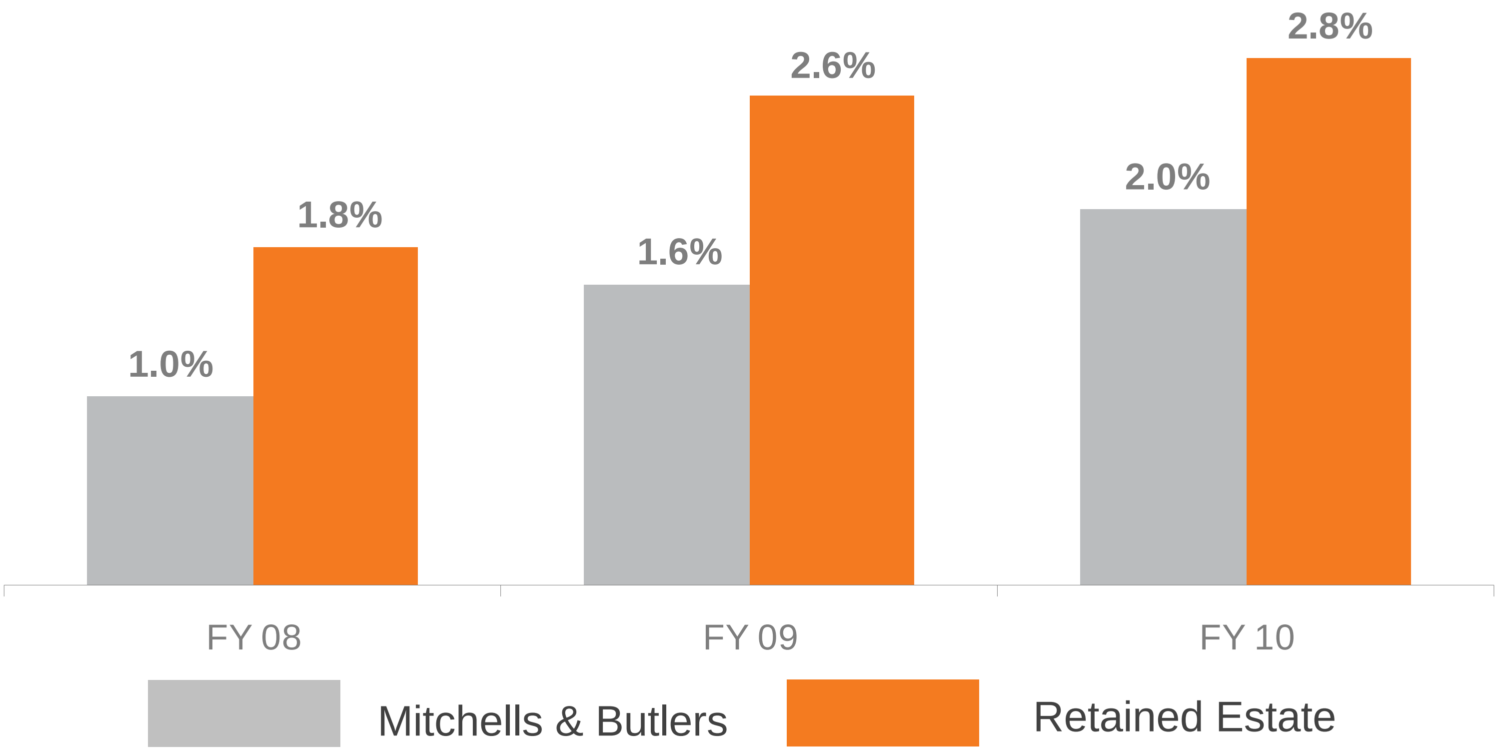
Year ended 25 September 2010

	Reported	Growth	Retained*	Growth
Revenue	£1,980m	1.1%	£1,680m	1.8%
EBITDA	£449m	4.9%	£391m	9.8%
EBIT	£322m	7.3%	£285m	14.5%
EBIT margin	16.3%	1.0 ppts	17.0%	1.9 ppts

14% growth in Retained Estate operating profits

* MAB excluding SCPD, major disposal of 333 pubs, lodges and bowls, and £4m non-recurring rental cost

Like-for-like sales growth



Increasing sales growth

Retained Estate like-for-like sales

	FY10 H1*	FY10 H2**	FY10 Total	FY11 8 weeks
Food	4.5%	5.0%	4.7%	6.9%
Drinks	1.4%	1.5%	1.4%	1.4%
Total	2.7%	3.0%	2.8%	3.7%

Growth focused on the informal eating-out market

- 33 weeks to include the entire Easter period

** Week 34-52

Key operating statistics

Year ended 25 September 2010

	Reported	Growth	Retained	Growth
Gross margin		1.0 ppts		1.2 ppts
Food cash gross margin		8.9%		9.1%
Total cash gross margin		2.4%		3.8%
Outlet staff costs	24.5%	0.2 ppts	24.7%	0.1 ppts
EBIT margin	16.3%	1.0 ppts	17.0%	1.9 ppts

Improving gross and net margins

Mitchells & Butlers

Capital expenditure

- EBITDA return > 30% on last 2 years' investments
- Total capex in FY10 of £138m
  - £28m of expansionary capex
  - £102m spent on maintenance capex
  - £8m of IT systems and energy efficiency projects
- Total capex in FY11 estimated at £185m
  - £90m expansionary capex
  - £80m maintenance capex
  - £15m of IT systems and energy efficiency projects

Effective use of capex

Cash flow

	FY09 £m	FY10 £m
EBITDA	428	449
Working capital / non cash items	22	40
Maintenance capex	(86)	(110)
Net interest paid	(160)	(147)
Tax	21	(8)
Additional pension contributions	(24)	(32)
Operating Cash Flow *	**201**	**192**
Expansionary capex	(43)	(28)
Disposals	72	130
Share capital	4	(3)
Net Cash Flow*	**234**	**291**

* Before VAT benefit of £12m in FY10 and (£93m) of exceptional items in FY09

Group net debt

	Sept 09 £m	Sept 10 £m
Securitisation debt	(2,319)	(2,274)
Cash / other	92	215
Securitised net debt	**(2,227)**	**(2,059)**
Unsecured net debt	**(373)**	**(243)**
Group net debt	**(2,600)**	**(2,302)**
Net Debt : EBITDA	6.1x	5.1x
Current Group net debt		(1,960)

Property accounting valuation

- "Red Book" valuation of freehold and long leasehold properties based on site level EBITDA
- Short leaseholds held at cost less impairment
- Total movements across estate:
  - Exceptional revaluation reductions £304m
  - Increases to revaluation reserve £69m
- Excluding Stonegate, 4% reduction primarily due to a reduced multiple on larger sites
- Average outlet multiple of 7.7x

Prudent valuation at this stage of economic cycle

Internal rent structure

Key components:

- Total internal rent set at £190m, equivalent to 40% of freehold and long leasehold pub level EBITDA
- Site level charge reflects historical capital invested
- Annual escalator: average of RPI and retail rents
- Incremental rent charged on expansionary capex
- No intention to formalise property and operating company structure

Enhances transparency and internal decisions

Illustrative split: Retained Estate

FY10	Operations £m	Property £m	Total £m
Revenue	1,680	-	1,680
EBITDAR	425	-	425
External rent	(34)	-	(34)
Internal rent	(190)	190	-
EBITDA	201	190	391

Implied enterprise value

Enterprise Value (£m)		Property Yield 6.0%	6.25%	6.5%
Operating EBITDA Multiple	5.5x	4,272	4,146	4,029
	6.0x	4,373	4,246	4,129
	6.5x	4,473	4,347	4,230
	7.0x	4,574	4,447	4,330
	7.5x	4,674	4,548	4,431

Significant increase over current valuation

Key messages

- Strong operating profit performance
- Increased gross and net margins
- Substantially reduced net debt
- Strong balance sheet

Well positioned to deliver growth strategy

Andrew Vaughan

Group Treasurer

Bond Investor Update – 24 November 2010

Highlights

Gross debt outstanding at year end	£2,284m
EBITDA	£367m
Free cashflow	£294m
EBITDA DSCR	2.0x
FCF DSCR	1.6x

Free Cash Flow

	£m
EBITDA	367
Tax	(16)
Required maintenance capital	(57)
Free cashflow	294
Interest	(133)
Principal repayment	(46)
Debt Service	(179)

1.6x

Securitisation Covenants

	FY 10		
	H1	H2	Year
Free Cashflow: Debt Service	1.6x	1.7x	1.6x
EBITDA: Debt Service	1.9x	2.2x	2.0x
Net Worth			£1. 44bn

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

Maintenance & Capital enhancement

Securitisation Estate

	£m	
Repairs*	37	133 (vs. required amount of £93m)
Maintenance	96	
Enhancement	16	
	149	

Substantial investment to maintain and enhance estate quality

*Charged through Profit & Loss account

Cashflow - uses

	£m
FCF	294
Debt Service	(179)
Maintenance Capital (over required amount)	(40)
Net Capital Enhancement Expenditure*	(4)
Excess Cash	71
Restricted Payments made	(108)
Restricted Payment Maximum decrease	(37)
Restricted Payment Maximum at start of year	57
Restricted Payment Maximum at end of year	20

*Net of cash released from disposal proceeds

Disposal Activity

- Lodges
- Hollywood Bowl
- Non-Core Pubs (post year end)
- Trustee consent obtained for package disposal to Stonegate Pub Company
- Over £500m of Disposal Proceeds

Use of Proceeds

- Permitted Acquisition of currently unsecured pubs
- £450-500m planned
- Well invested food-led pubs (ex Whitbread)
- Trustee / Rating Agency process commenced
- Conversion programme for existing securitised pubs

MAB PLC vs. MAB Retail Limited

	PLC £m	Securitisation Estate £m
Number of pubs*	1,909	1,618
Turnover	1,980	1,633
EBITDA	449	367
EBIT	322	265

Difference driven by 291 pubs and head office infrastructure outside the Securitisation

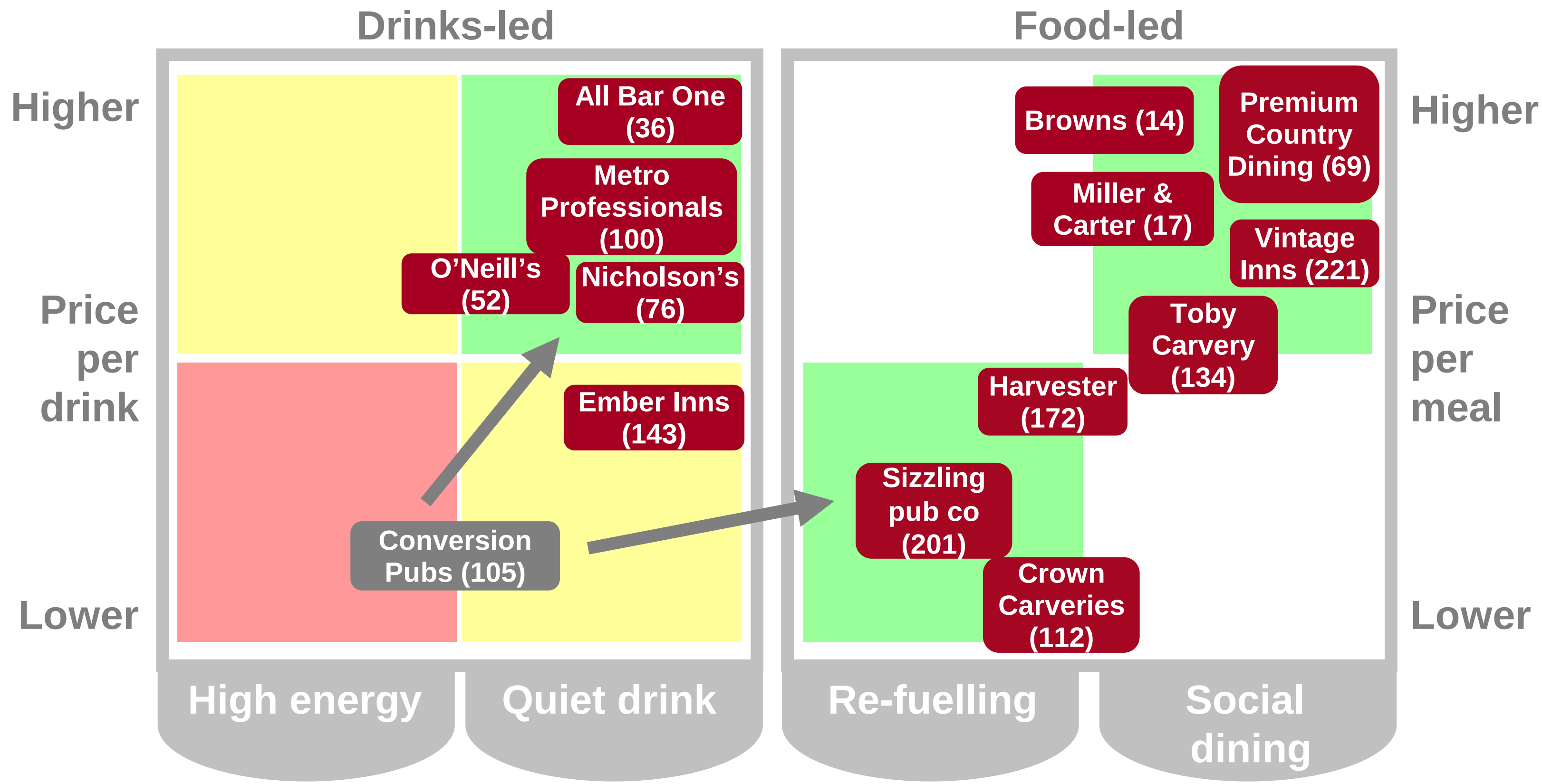
*As at 25 September 2010

Strategic review progress

Targeted area	On track
Reshape to food-led business	✓
Price sensitive drinks-led pubs withdrawal	Complete
Improve operating margins	✓
Improve returns on capex	✓
Address pension funding & reduce net debt	Complete
Operations and property disclosure	Complete
Address incentive schemes and culture	Complete

Excellent progress on strategy

Reshape to food-led business



Food accounts for 47% of sales

Notes: 1. Numbers in boxes represent numbers of pubs at the year end, adjusted for the disposal of 333 non-core pubs
2. 1452 UK managed pubs excludes Alex
(43 outlets; 38 managed and 5 franchised), 81 UK based leased and franchise outlets

Improving operating margin percentage

	FY09	FY10
Like-for-like sales	+2.6%	+2.8%
Food gross margin %	(1.0) ppts	+2.6 ppts
Labour cost %	(0.1) ppts	(0.1) ppts

Sales and gross margin increases; labour broadly flat

Retained Estate

Operating margin progression

	FY09	FY10
Total Company	15.3%	16.3%
Retained Estate	15.1%	17.0%

Margin progression from base in FY09 on track

Returns on expansionary capital

EBITDA returns increasing*:

- FY08: 18%
- FY09: 23%
- FY10: > 30%

Drivers have been

- Lower capital intensity
- Trading performance

Improving returns on expansionary capital

* Retained Estate, expansionary investments made over 2 years

Expansionary capital excluding Whitbread acquisitions to enhance comparability

Strategic progress

- Pension funding
- Operations and property disclosure
- Incentives
- Culture

Two key areas of activity remain:

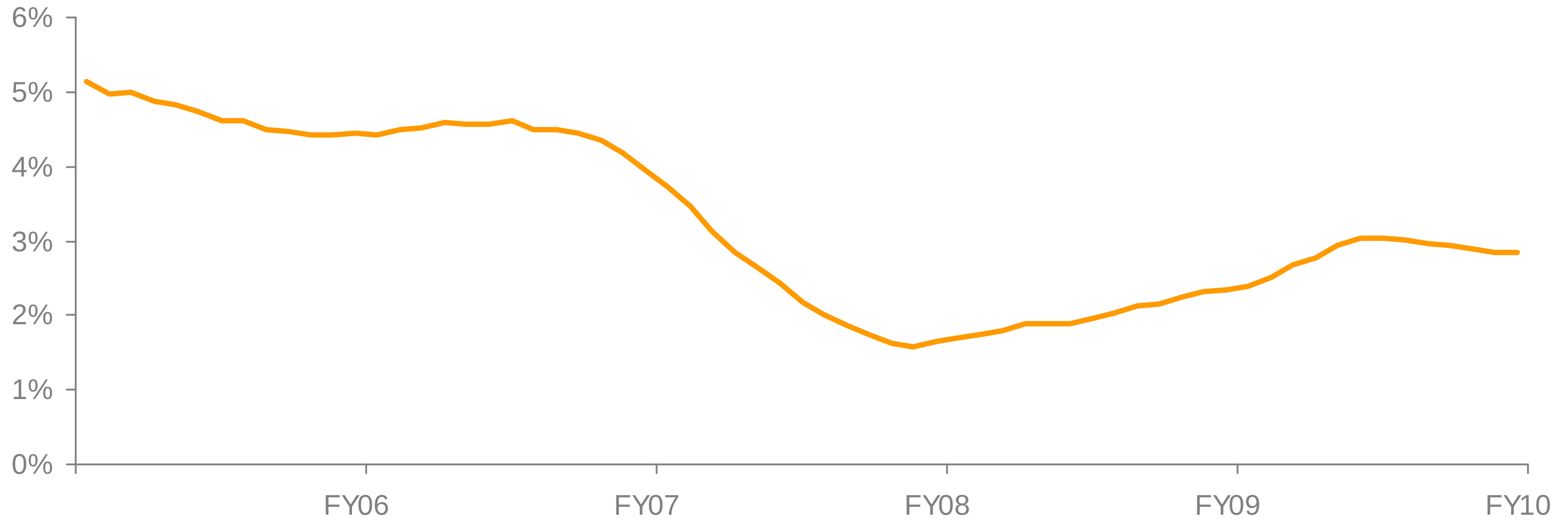
- Retained Estate profit progression
- Pipeline expansion for brand expansion

Retained Estate historical performance

	FY07	FY08	FY09	FY10
AWT per managed pub	£18.7k	£19.7k	£20.8k	£21.3k
Like-for-like growth	3.2%	1.8%	2.6%	2.8%
Operating margin	16.8%	16.8%	15.1%	17.0%
Operating profit per pub	£158k	£165k	£156k	£181k

A solid platform for future growth

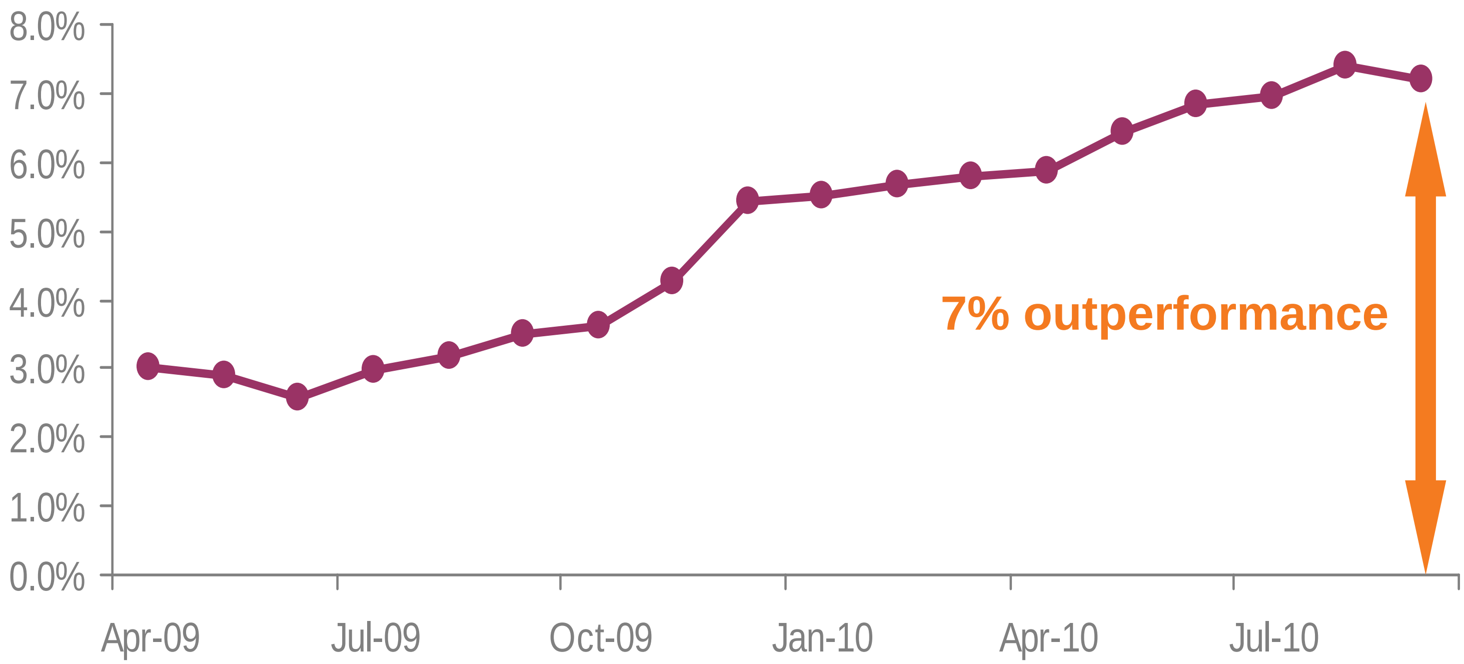
Like-for-like sales



Resilient sales performance through economic cycle

Notes: Retained Estate
Chart reflects like-for-like trend line

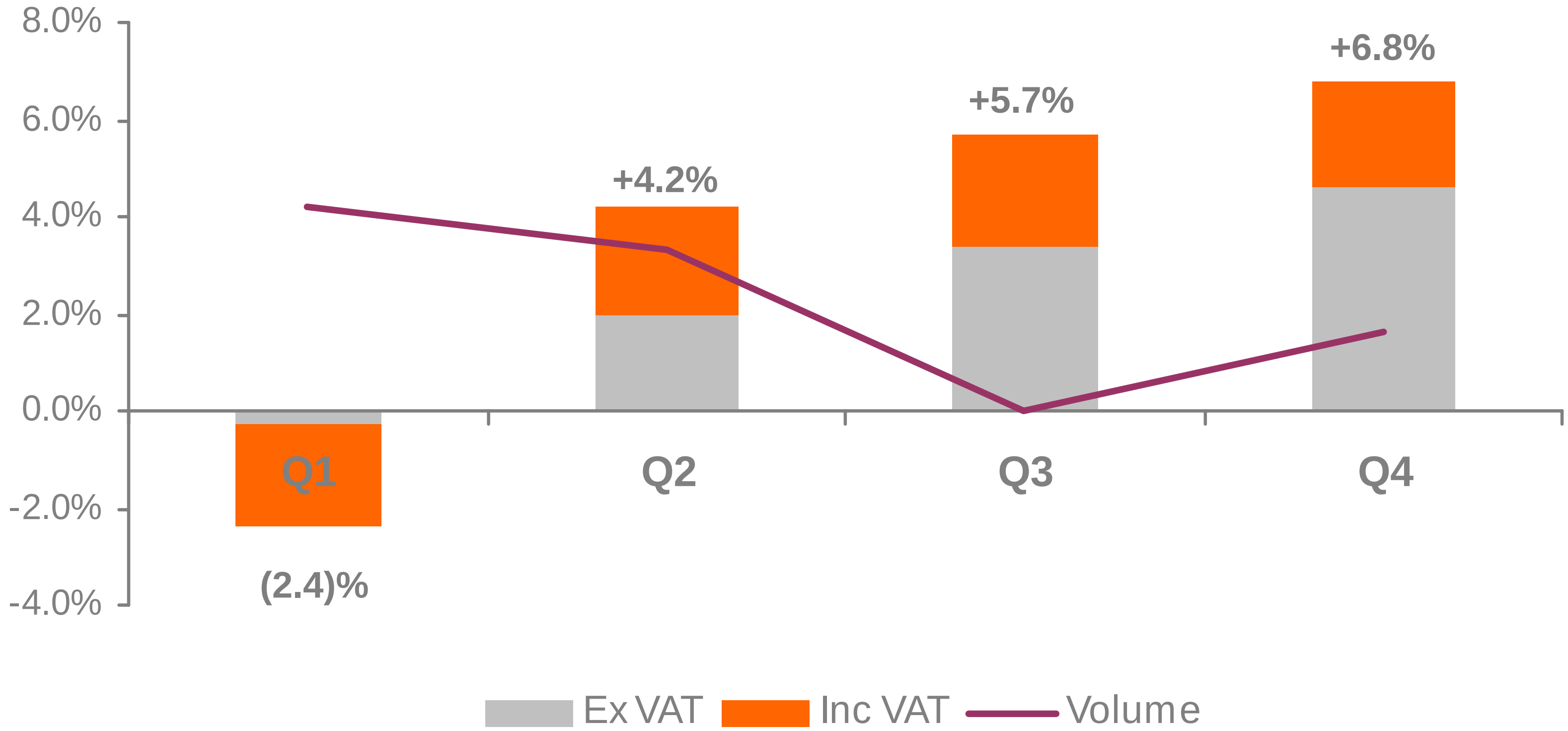
Food sales - market outperformance



Food driving continued outperformance

12 month moving average total
Retained Estate
Source: Crest data, the NPD Group

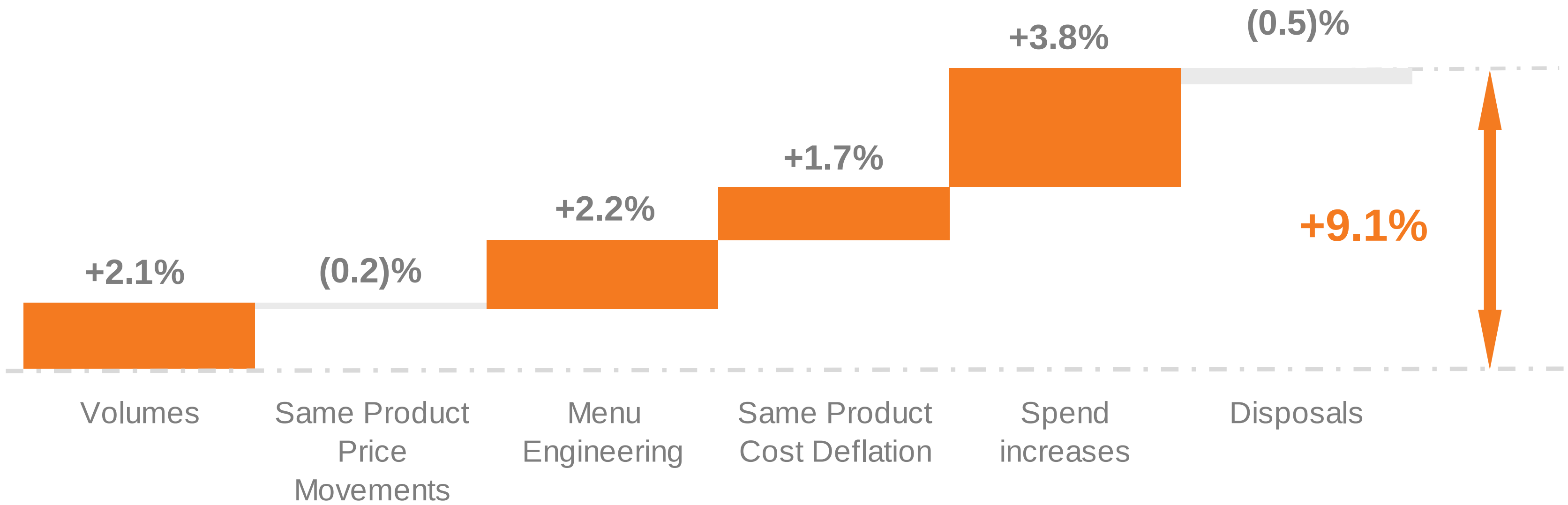
Food spend per head and volume



Increasing food spend per head and underlying volume growth

Retained Estate
Like-for-like pubs only
Q1=weeks 1-16; Q2=weeks 17-28; Q3=weeks 29-40; Q4=weeks 41-52

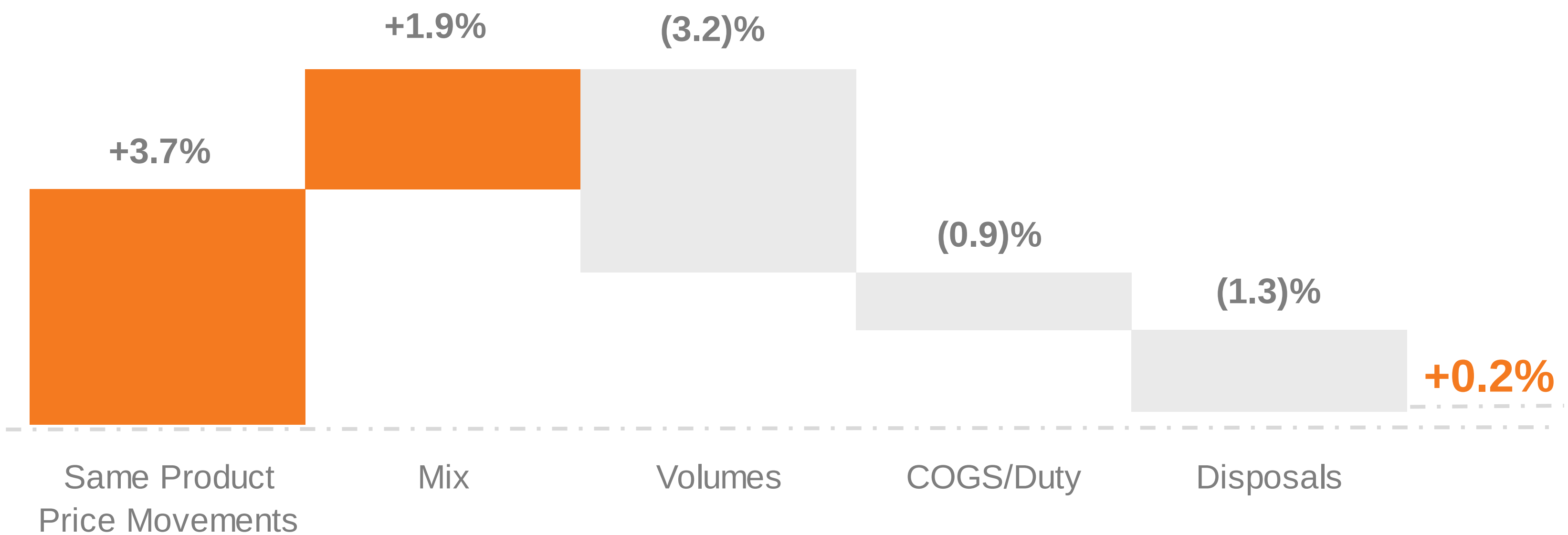
Food cash gross margin



Significant uplifts in gross margins with flat prices

Retained Estate

Drink cash gross margin



Price and mix gains offset volume declines

Retained Estate

Operational delivery

- Guest satisfaction +2% pts
- Food & drink waste reduction of £5m
- NVQs 3,100 complete or in progress
- Management turnover reduced by 4%
- Productivity: contribution per staff hour up 2%

Continuing focus on service, productivity & efficiency

Retained Estate

Building brands – reducing discounting

- Promotional meals account for 8% of total
- Cash cost of discounts reduced
- Media expenditure more than doubled
- Net promotional and marketing investment flat

A balanced approach to brand building and optimising trading opportunities

Advertising to grow awareness

- 5 week TV campaign in each brand
- Significant sales and volume uplifts
- Average pay-back within 6 weeks

Broadcast advertising only viable for strong national brands

Digital communication platform

	FY09	FY10
Emails sent	6.2m	16.8m
Facebook fans	28k	266k
Mobile subscribers	77k	530k
Online bookings	-	30k

Cost effective and immediate sales generation

Mitchells & Butlers

Expansion pipeline

- 54 conversions, 1 new opening in FY10
- 70 conversions, 50 new openings in FY11
- FY11 openings enabled by site redesign

Retail & leisure locations enable faster build of pipeline

Recent trading

	FY10 Total	FY11 8 weeks
Food	4.7%	6.9%
Drinks	1.4%	1.4%
Total	2.8%	3.7%

Like-for-like sales over the last 18 weeks of 4.1%

Retained Estate

Outlook

- VAT increase Jan 2011
- Fragile consumer outlook: taxation & unemployment
- Eating-out market: continued low growth
- Cost pressures balanced

Confident in market share gains

Conclusion

- Excellent progress against strategy
- New management team established
- Strong balance sheet: net debt/EBITDA of 5x
- Business performing well in challenging conditions
- Strong returns on expansionary capital

Well positioned for future growth

Questions & Answers