Manchester United

Kicking off coverage: initiating with Neutral

- We initiate overall credit coverage on Manchester United with a Neutral recommendation and initiate coverage on the bonds with Neutral recommendations on each of the sterling and dollar tranches.
- In our view, the underlying fundamentals could justify tighter trading levels, however unfamiliarity with the sector, negative press and technical factors may limit outperformance in the near term. We note the recent rally in the sterling and dollar bonds on the club's success in the Champions League, relatively strong Q210 results and press speculation around a potential bid.
- We view the name as relatively defensive with highly visible contracted revenue streams. We see significant potential upside from increasing demand for football content, international sponsorship opportunities with a globally recognized brand as well as the potential to outperform our base case with strong on-field performance.
- In our view, the threats of increasing industry wages and transfer fees, competition for talent and potential aggressive entrants into the market are easing. We await comments from the company on demand for seasonal tickets in coming quarters in light of recent supporter protests.
- FCF conversion remains low, the company will need to perform in-line with our base case model in order to deliver meaningful deleveraging. We note the downside protection to the senior secured bonds implied by sector valuations.

TMT Credit Research

Andrew Webb[AC]
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com
J.P. Morgan Securities Ltd.

David Caldana, CFA
(44-20) 7777-1737
david.caldana@jpmorgan.com
J.P. Morgan Securities Ltd.

Malin Hedman
(44-20) 7325-9353
malin.b.hedman@jpmorgan.com
J.P. Morgan Securities Ltd.

Amir Kumar
(91-22) 6157 3256
amir.x.kumar@jpmorgan.com
J.P. Morgan India Private Limited

North American Credit Research

Michael Pace[AC]
(1-212) 270-6530
michael.pace@jpmorgan.com
J.P. Morgan Securities Inc.

Arjun Chandar
(1-212) 270-6797
arjun.c.chandar@jpmorgan.com
J.P. Morgan Securities Inc.

See page 45 for analyst certification and important disclosures.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

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Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Relative Value

Table 1: TMT Relative value

Company	ManU recent perf PF[1]	Nielsen[2]	Unitymedia[3]	UPC[4]	Versatel	Wind[5]	VMED[6]	SEAT	Live Nation[7]	Universal Orlando
Reporting	UK GAAP	US GAAP	IFRS	US GAAP	IFRS	IFRS	US GAAP	IFRS	US GAAP	US GAAP
For the fiscal quarter	Q210A	Q409A	Q409A	Q409A	Q409A	Q409A	Q409A	Q309A	Q409A	Q409A
Quarter to 30-Sep-09 / 31-Dec-09:										
Financial Statistics (in millions)*										
Revenue	£87.0	$1,198.0	€ 233.5	€ 882.9	€ 191.1	€ 1,496.0	£979.5	€ 345.7		$198.7
% y/y change	*16.9%*	*(2.9%)*	*2.4%*	*1.3%*	*(1.6%)*	*3.9%*	*3.3%*	*(14.1%)*		*(3.9%)*
Adjusted EBITDA	£43.3	$365.0	€ 114.7	€ 420.0	€ 44.4	€ 526.0	£366.2	€ 185.4		$62.0
% y/y change	*51.1%*	*9.9%*	*14.0%*	*(1.2%)*	*(10.1%)*	*6.7%*	*15.3%*	*(13.1%)*		*(7.5%)*
% margin	*49.7%*	*30.5%*	*49.1%*	*47.6%*	*23.2%*	*35.2%*	*37.4%*	*53.6%*		*31.2%*
Capex	£13.3	$78.0	€ 64.3	€ 204.9	€ 15.1	€ 390.0	£155.8	€ 9.3		$40.7
Free cash flow	(£15.2)	$115.0	€ 28.2	€ 168.0	€ 9.0	€ 93.0	£101.7	€ 6.6		($13.1)
Cash flow before financing		$187.0	€ 25.4	€ 168.3	€ 11.2	n/a	£106.6	€ 7.0		
LTM Financial Statistics (in millions)										
Revenue	£301.6	$4,808.0	€ 923.2	€ 3,453.9	€ 734.8	€ 5,726.0	£3,804.4	€ 1,273.6	$5,667.2	$802.9
Adjusted EBITDA	£116.0	$1,276.0	€ 446.0	€ 1,662.8	€ 186.0	€ 2,064.0	£1,360.7	€ 558.7	$444.5	$260.2
% margin	*38.5%*	*26.5%*	*48.3%*	*48.1%*	*25.3%*	*36.0%*	*35.8%*	*43.9%*	*7.8%*	*32.4%*
Capex	(£45.2)	$282.0	€ 252.2	€ 854.0	€ 92.0	€ 915.0	£569.0	€ 53.3	n/a	$143.4
Free cash flow	£53.5	$233.0	€ 45.3	€ 180.2	€ 45.8	€ 572.0	£331.6	€ 149.3	$173.2	($49.1)
Cash flow before financing		$288.0	€0.7	€ 290.7	€ 45.7	n/a	£328.3	€ 189.3		
Capitalisation (in millions)										
Cash and cash equivalents	£98.0	$495.0	€ 185.0	€ 406.4	€ 45.6	€ 584.0	£431.0	€ 393.8	$347.1	$45.0
Debt summary:										
1st Lien	£539.9	$5,277.0	€ 2,031.0	€ 6,618.8	€ 559.7	€ 3,880.0	£2,966.0	€ 1,878.5	$1,097.8	$930.0
2nd Lien	£0.0	$0.0	€ 0.0	€ 0.0	€ 0.0	€ 678.0	£300.0	€ 0.0	$287.0	$400.0
HY	£0.0	$3,381.0	€ 665.0	€ 1,548.3	€ 0.0	€ 4,050.0	£2,190.1	€ 1,300.0	$0.0	$225.0
PIKs/Convertibles	£216.7	$0.0	€ 0.0	€ 0.0	€ 0.0	€ 765.0	£505.0	€ 0.0	$223.3	$0.0
Total debt	£756.6	$8,658.0	€ 2,696.0	€ 8,167.1	€ 559.7	€ 9,709.0	£5,961.1	€ 3,178.5	$1,608.1	$1,555.0
Credit Ratios (LTM)										
Net leverage through:										
1st Lien	3.8x	3.6x	4.1x	3.7x	2.8x	1.8x	1.9x	2.7x	1.7x	3.4x
2nd Lien	3.8x	3.6x	4.1x	3.7x	2.8x	2.1x	2.1x	2.7x	2.3x	4.9x
HY	3.8x	6.1x	5.6x	4.7x	2.8x	4.1x	3.7x	5.0x	2.3x	5.8x
PIKs/Convertibles	5.7x	6.1x	5.6x	4.7x	2.8x	4.4x	4.1x	5.0x	2.8x	5.8x
Other ratios:										
Net cash-pay debt / (EBITDA - capex)	3.0x	6.5x	13.0x	9.6x	5.5x	7.0x	6.3x	5.5x		
EBITDA / cash Interest expense	2.5x	2.7x	2.0x	3.0x	4.2x	2.5x	3.0x	2.7x		
FCF / net cash pay debt	11.6%	2.9%	1.8%	2.3%	8.9%	6.8%	6.6%	5.4%	16.7%	nmf

Contd…

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

HY Comps (Contd...)

Company	ManU recent perf PF[1]	Nielsen[2]	Unitymedia[3]	UPC[4]	Versatel	Wind[5]	VMED[6]	SEAT	Live Nation[7]	Universal Orlando
Reporting	UK GAAP	US GAAP	IFRS	US GAAP	IFRS	IFRS	US GAAP	IFRS	US GAAP	US GAAP
For the fiscal quarter	Q210A	Q409A	Q409A	Q409A	Q409A	Q409A	Q409A	Q309A	Q409A	Q409A
1st Lien / cash price(mid) / margin		TLB / 96.50 / 225	8.125% Sr Sec / 104 / 449	TLM / 97 / 200	snr secured FRN	TLA / 98.25 / 265.5	TLB / 99.88 / 362.5	TLA / 90.50 / 137.5		
Discount margin		330		323		388	425	547		
Maturity		2013		Dec-14		Dec-12	Sep-12	Apr-12		
Bond relative value[7]										
Bond description	£250m Sr Nts	€150m Sr Nts	€1,430m Sr Sec Nts	€500m Sr Sec Nts	€525m Sr Sec FRNs	€950m Sr Nts	£875m Sr Sec Nts	€550M Sr Sec Nts	$300M unsec nts	$400M unsec nts
Maturity	1-Feb-17	1-Aug-14	1-Dec-17	15-Jan-20	15-Jun-14	1-Dec-15	15-Jan-18	31-Jan-17	8-Jul-05	7-Jul-05
Coupon	8.750%	9.000%	8.125%	7.625%	E+275bps	9.750%	7.000%	10.500%	10.750%	8.875%
Mid price	99	102	104	101	88	107	101.25	96.75	111.25	101.50
YTW	8.9%	8.2%	7.4%	7.6%	6.6%	7.4%	6.7%	11.5%	7.6%	8.5%
Z Spread	569	646	476	459	608	625	369.2	854	624	611
Bond description	$250m Sr Nts	€343m Sr Disc Nts	€649m Sr Nts	€300m Sr Nts		€1,250m Sr Nts	£350m Sr Nts	€1,300m Sr Nts		$225M sub nts
Maturity	1-Feb-17	1-Aug-16	1-Dec-19	1-Nov-16		15-Jul-17	15-Oct-19	30-Apr-14		8-Jul-05
Coupon	8.375%	11.125%	9.625%	8.000%		11.750%	8.875%	8.000%		10.875%
Mid price	99.25	93	104.5	99		110	103.5	67.75		104.50
YTW	8.5%	9.4%	9.0%	8.4%		9.5%	8.2%	20.9%		9.8%
Z Spread	539	703	599	553		695	489	1779		718

Source: Company data, J.P. Morgan estimates. Prices at cob 25 Mar 2010

1. Financial year end 30 June. 1st lien for Manchester United includes the new notes, the Alderley Facility and MUTV loan. All the figures are pro-forma for the senior secured bond issues and new credit facility signed in January 2010. We note that Q210 LTM revenues and EBITDA include two additional home FAPL games due to YoY scheduling differences and therefore not necessarily indicative of FY performance.

2. Yield (and Z Spread) is Yield to worst and not yield to maturity for both the bonds. Yield to worst for €150m sr nts is calculated for 1 August 2012 when the bonds become callable at par. Yield to worst for €343m sr disc nts is calculated for 1 August 2011 after which interest is payable at 11.125% (prior to this no interest is payable).

3. Margin for Unitymedia refers to Z-Spread. Yield (and Z Spread) is Yield to worst and not yield to maturity for both the bonds. Yield to worst for €1,430m sr sec nts is calculated for 1 December 2015 when the bonds become callable at par. Yield to worst for €649m sr nts is calculated for 1 December 2017 when the bonds become callable at par. Revenue and EBITDA figures are for Core Cable operations only (excludes Arena financials). Cash flow and capitalisation summary figures are for the consolidated group. Debt summary and leverage ratios are pro-forma for UPC Germany transaction. Leverage calculations are based on LTM adjusted EBITDA of core operations only.

4. Yield (and Z Spread) is Yield to worst and not yield to maturity for both the bonds. Yield to worst for €500m sr sec nts is calculated for 15 January 2018 when the bonds become callable at par. Yield to worst for €300m sr nts is calculated for 1 November 2014 when the bonds become callable at par. Revenue and EBITDA figures exclude Slovenia for all periods. UPC has not yet published its full cash flow statement.

5. Yield (and Z Spread) is Yield to worst and not yield to maturity for both the bonds. Yield to worst for €950m sr nts is calculated for 1 December 2010 when the bonds become callable at 104.875. Yield to worst for €1,250m sr nts is calculated for 15 July 2015 when the bonds become callable at par. Capitalisation summary is pro-forma for i) proposed repayment of €336m of tranche A's June 2011 maturities, ii) issuance of €325m PIK notes and $625m PIK notes (issue price of 98.325%), iii) €710m dividend payment to Weather and iv) €33m in fees and other expenses.

6. Yield (and Z Spread) is Yield to worst and not yield to maturity for £350m Senior notes. Yield to worst for the £350m senior notes is calculated for 15 October 2017 when the bonds become callable at par. Cash and capitalisation summary is pro-forma for issuance of senior secured notes in January 2010 (£1.5bn equivalent) and prepayment of senior credit facilities from the proceeds thereof.

7. Pro-forma results for Live Nation and Ticketmaster combined entity (merger completed in January 2010).

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Investment thesis

We initiate coverage of MU Finance plc with a Neutral recommendation on the sterling bonds and dollar bonds. We note the recent rally in the sterling and dollar bonds on the club's success in the Champions League, relatively strong Q210 results and press speculation around a potential bid. We view the name as relatively defensive with good visibility and contracted revenue streams. However, we see better de-levering opportunities elsewhere.

In our view, the underlying fundamentals could justify tighter trading levels, however unfamiliarity with the sector, negative press and technical factors (the recent M&A driven run-up in price) may limit outperformance in the near term. We expect the market to become more comfortable with the sector, business model, and strategy over time. We also note the lack of ratings which limits or precludes some traditional high yield investors from participating in the name.

We look at the following comps to justify our Neutral recommendation on the sterling notes: Nielsen (VNU) senior notes trading at ~8.2%, UPC senior secured notes trading at 7.6%.

We look at the following comps to justify our Neutral recommendation on the dollar notes: JPM global HY index trading at ~8.5%, Universal Orlando (UCD) senior unsecured bonds trading at ~8.5%, and Live Nation/Ticketmaster (LYV) bonds trading at ~7.7%.

Management has done a good job of executing on their growth strategy; however pro-forma EBITDA to FCF conversion remains low in the near term on our base case assumptions. In order to deliver meaningful FCF, management will need to continue to execute on the business plan. We note that we see potential sources of EBITDA growth from our base case scenario (primarily from the Commercial and Media divisions) and significant potential upside if the club continues to perform on-field at its current level.

Our outlook for the sector is positive. We expect demand for football related content to increase with the 2010 World Cup this summer and for marketers to view "the world's most popular game" as an attractive vehicle to increase penetration in rapidly growing markets.

On our base case assumptions, MUFC's capital structure is manageable. We are comfortable with leverage through the senior secured bonds due to the highly visible revenues, reasonable FCF and considerable downside protection implied by double digit sector valuations.

Liquidity looks adequate, however external risks remain. On our base case assumptions MUFC will be able cover its cash-pay interest and to field a team capable of continued success. However, if our expectations for on-field performance (e.g. finishing fourth or higher), required investments and support of fans prove to be too optimistic, it would place significant strain on the company's limited FCF generation. We note that the coming two quarters will be important to gauge demand for 2010/11 season tickets and Executive Hospitality seating in light of the negative MUST PR campaign.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Credit Positives

MUFC has demonstrated highly visible and growing revenues. Despite recent economic headwinds, MUFC's group revenues grew 22% and 9% YoY in 2008 and 2009 respectively, owing to contracted revenue step-ups, strong demand for premium live sport and playing performance. The economic downturn primarily impacted the Matchday division, where the executive seating suffered lower capacity utilisation.

The company generates revenues from three divisions: Matchday, Media and Commercial (for a full description of each of the divisions see Appendix II). Matchday revenues are generated from ticket sales, concessions and related revenues, Media relates to payments received from Media rights (primarily Premier League and Champions League) and Commercial relates to sponsorship agreements primarily negotiated by the club. We have a high degree of visibility on minimum Media and Commercial revenues, with both divisions benefiting from multi-year contracts. We also note that a significant portion of Old Trafford's capacity is pre-sold ahead of the season, giving us near term visibility on minimum Matchday revenues.

Commercial revenues are based on medium to long term contracts

Minimum Commercial revenues are known with the most certainty as they are almost entirely unrelated to on-field performance (with the exception of small potential step downs in the Nike contract in the event of certain unlikely events, like relegation). MUFC's most significant contracts are the technical partnership with Nike and shirt sponsorships with AON; the agreements run through 2015 and 2014 respectively. Granular detail is not provided for other commercial partnerships, however the company says they are generally agreed for two to four years.

Media rights are sold on a three year basis

The FA (Football Association) and UEFA (Union of European Football Associations) collectively sell the Premier League and Champions League rights on a three year basis to broadcasters. The current Champions League (UCL) and Premier League (FAPL) contracts have been agreed through FY12 and FY13 respectively. We note that Media payments received by individual clubs from the UCL, and to a lesser extent FAPL have performance-related components. However, if we assume the club achieves its historically conservative budgeted performance we have a high degree of visibility on minimum revenues from the Media division, with outperformance of the base case adding incremental high-margin revenues.

A significant proportion of Matchday revenues are sold before the beginning of the season

Season tickets (Seasonal Hospitality and Season General Admission) account for c.80% of the total capacity of Old Trafford. Payment for these tickets is received prior to the beginning of the season (primarily in the fiscal fourth quarter ended June). We note that Manchester United has had an approximately 99% capacity utilisation for each season since 1997/1998. Demand for the remaining c. 11k general admission and away team seats have historically significantly outstripped supply. To be eligible for the general admission tickets, supporters need to be paying members of "One United", which had membership of c.100k (as at 31 December 2009).

The most significant driver of Matchday revenues is the number of home games played

The number of home games is an additional variable which is partly determined by on-field performance. The number of home games in the Premier League is fixed, as all clubs play 38 games (19 home, 19 away), irrespective of performance. The number of home games played in the Champions League is dependent on performance, however assuming MUFC achieves its budget case (reaching the round of 16) it will play at least four UCL home games (three in group stage and one in knock out). The venues for domestic cup games are determined by a random draw, with ticket sales being divided between the home and away teams. However attendance levels can be relatively low for away games. MUFC only budgets for two FA Cup and one Carling Cup home game per season.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

In our view, management's budget case (our base case) for on-field performance appears conservative. Success in the Premier League and participation in the Champions League is a foundation of the company's business model. On-field results directly drive performance-based Matchday (primarily larger number of home games) and Media revenues (upside from performance-related payments) and indirectly drive growth in Commercial revenues over the longer term. Our base case scenario and the company budget is for a third place finish in FAPL, round of 16 in UCL and quarter finals in the domestic cups (see Appendix 1 for an overview of the competitions MUFC participates in). Exceeding these on-field targets represents significant Revenue, EBITDA and de-levering upside to our base-case model.

Manchester United has never placed lower than third in the Premier League since the league's formation in 1992

Since the inception of the Premier League for the 1992/93 season, MUFC has won the league eleven times and never finished below third place. The club has only failed to qualify for the Champions League once (in 1995/96) since its modern incarnation in 1992, winning the competition twice and the European Cup (the UCL's previous incarnation) once. In addition Manchester United has won the FA Cup 11 times and the League Cup 4 times. At the time of writing (as of 25 March, 2010), MUFC was already ahead of its budgeted on-field assumptions. The club is currently in first place in the Football Association Premier League (FAPL) with 7 games remaining in the season. On 10 March 2010 the club advanced to the quarter finals of the UEFA Champions League (UCL) and on 28 February 2010 won the Carling (Domestic) Cup.

Table 2: Manchester United – On-field performance

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
FAPL	1	2	1	1	1	3	1	3	3	2	1	1	1
CL	SF	QF	1	QF	QF	SF	QF	L16	L16	Grp	SF	1	2
FA Cup	4R	5R	1	n/a	4R	4R	5R	1	2	5R	2	6R	SF
League cup	4R	3R	5R	3R	4R	3R	2	4R	SF	1	4R	3R	1

Source: Company reports. The year is the year the applicable season ended, ie 1997 is the 1996/1997 season.

In our view the structure of the FAPL favours larger clubs

The structure of the Premier League, which lacks a salary cap or a player draft, enables the larger clubs to spend freely on coaching staff, players and talent scouts. However, we note that the incoming UEFA financial fair play initiative (see p. 14) will set limits on spending relative to a club's revenue base. We believe MUFC will remain among the top performing clubs in the League as long as it continues to outspend the smaller clubs, which appears financially viable barring a spike in spending by clubs lower down the table (despite MUFC's interest burden). We will not comment on the quality of MUFC's players or coaching staff in this report, however we suggest that there is a strong historical correlation between the wages paid to the on-field staff (players and coaches) and success over a 38 game Premier League season. This relationship has resulted in the "big four" English clubs (Manchester United, Arsenal, Chelsea and Liverpool) historically finishing near the top of the league and qualifying for the Champions League.

Based on numbers compiled by Deloitte (Annual Review of Football Finance, June 2009), we note that for the FY2007/08, the "big four" clubs averaged wage costs of £115.5m versus the next six clubs who averaged wage costs of £42.5m (MUFC paid £121m in FY08). Net transfer payments between 2004 and 2008 were £175m for the "big four" clubs (largely due to Chelsea's activity in the player transfer market following the Roman Abramovich takeover) versus the next six clubs who paid £38m over the period. In addition to the greater financial resources available to the largest clubs, in our view, ceteris paribus, the highest caliber players and coaches will be drawn to the largest clubs to receive the widest media exposure and to consistently compete for trophies and the opportunity for lucrative individual sponsorship contracts strengthened by association with the international fan base of MUFC.

Precedent transactions in the Football sector and recent press reports imply a substantial enterprise valuation beyond cash-pay and total leverage. The Glazer family acquired Manchester United for c.£831m in 2005 (c.19x 2005 EBITDA). Since 2005, MUFC's EBITDA has more than doubled. In Table 3 below, we have presented an overview of recent transactions in the Football sector. Due to the sector's wide range of revenues and profitability as well as the largely private nature of Football club ownership, it is difficult to determine clear comparables to MUFC. However, we note that MUFC consistently generates revenues and EBITDA amongst the highest in the sector, and is clearly one of the most widely known and followed clubs in the world, justifying a premium valuation to comparables in our view.

According to recent unconfirmed press reports, multiple groups are considering bids for MUFC (Sunday Telegraph, 14 March). According to The Observer (21 March), a group of investors calling themselves the "Red Knights" have hired advisors and is planning a £1.2bn offer for the club (12.6x 2010 JPMe EBITDA). We note that Glazer family representatives have said that the club is 'unequivocally' not for sale. However the reports do provide meaningful data points and provide additional comfort on the size of a potential equity cushion behind the senior secured notes. We view the potential interest from the consortium as a source of further downside protection for bondholders. They may support the bonds in an unlikely scenario (in our view) where MUFC needs to restructure the balance sheet.

According to an unconfirmed report in the Guardian (14 March), Liverpool owners are in talks with Rhone Group over a potential sale of 40% of the business. Rhone Group is said to offer £110m in equity to pay down the existing debt of £237m. This would imply an equity value of £250m and an EV of c. £487m (we estimate EBITDA of c.£40m). We note that Rhone Group is bidding for a stake in Liverpool while they need to build a new stadium and are currently sixth in the FAPL table (would currently not qualify for Champions League for the 2010/11 season).

Further highlighting the value of Manchester United, Forbes recently named MUFC the most valuable sports franchise in the world for the fifth year running. The financial publication valued the club at £1.3bn (c. 13.7x FY09 EBITDA).

Table 3: Recent European football transactions

£ millions

	Liverpool	Arsenal	West Ham United	Arsenal
Date Announced	Mar-10	Dec-09	Dec-09	Oct-09
Acquirer	Rhone Group	Red & White Holding (A. Usmanov)	Sullivan & Gold	S. Kroenke
Other shareholders	Gillett & Hicks (79.3%)	S. Kroenke (29.9%), Fiszman (16.1%), Bracewell (15.9%)	CB Holding (50%)	R&W (25.0%), Fiszman 16.1%, Bracewell 15.9%
Implied FV (£mm)	487	898[1]	143	864
% acquired	40% (press reports)	1% (confirmed)	50% (Confirmed)	0.3% (total holding 29.9%)
Prior season Revenues (£mm)	160[3]	310	82	310
FV/Prior season Revenues	3.1x	2.9x	1.8x[2]	2.8x
FV/Prior season EBITDA	12.2x[3]	12.7x	n.a.	12.3x
Key Takeaways	Gillet & Hicks were reported to in negotiations for a GBP110mm deal which would bring a new minority investor The Anfield investment-currently on hold due to credit crunch	Usmanov increased its stake to 26.07% The increase is perceived as a control battle between Usmanov and Kroenke	The club struggled with c. GBP48mm debt ntermarket, a London-based financial company offered GBP100mm for 100% but finally the Club accepted the increased Sullivan & Gold bid of GBP50mm (50% stake)	Kroenke has doubled its stake over the last 12m in the club Owning 28.9% share he's just below the mandatory bid threshold Kroenke owns NBA, NHL, MLS teams in the US

Source: Mergermarket, Bloomberg, FactSet, Factiva, Company data, Press releases. Note: Revenue and EBITDA excluding impact of player trading, FX rate as of the date of announcement, 1 Purchase price not disclosed, assumed purchase date closing price per share of GBP9,000, 2 Based on 2008 revenue; 3 Revenue, EBITDA and Net Debt estimated as of June'09YE

Recent European football transactions, continued

£ millions

	A.S. Roma	Bayern Munich	Arsenal	Liverpool	Manchester United	Chelsea
Date Announced	Apr-09	Oct-09	Aug-07	Feb-07	May-05	Jul-03
Acquirer	F. Angelini	Audi	Red & White Hldg (A. Usmanov)	G. Gillett, T. Hicks	The Glazer Family	R. Abramovich
Other shareholders	Italpetroli (66.2%) Coppola (3.4%)	Adidas (10%) FC Bayern (90%)				
Implied FV (£mm)	155[3]	973[4]	783	415[1]	754	136
% acquired	67% (pending)	9.1% (confirmed)	14.60%	100.00%	76.2%	97.00%
Prior season Revenues (£mm)	141[3]	272	200	120	169	110
FV/Prior season Revenues	1.1x[3]	3.6x	3.9x	3.5x	4.5x/4.8x[2]	1.2x
FV/Prior season EBITDA	13.3x[3]	16.7x	15.3x	17.7x	12.9x/16.4x[2]	18.9
Key Takeaways	Angelini together with a real-estate group are bidding for a 67% stake in AS Roma owned by the Sensi family The real-estate bidder was interested in the new stadium being built for the club	Deal approved. Audi's owner-VW to get a further seat on the BoD Effective transaction to take place between March'10-July'11 The club owns newly built Allianz Arena stadium	The 14.6% stake was sold by its vice chairman David Dein The Holding is jointly owned by a Russian oligarch A. Usmanov and a London-based investor F. Moshiri	US private investors to build and finance the club's planned new 60,000-capacity stadium (ca. £215mm investment)	The Glazer family bought a 28.75% stake from Cubic Expression Company increasing its holding to 56.9%, which triggered a mandatory bid for the remaining 43.11%	Abramovich purchased the 50.1% stake held by the club's chairman Apart from the football franchise the club also owns a hotel

Source: Mergermarket, Bloomberg, FactSet, Factiva, Company data, Press releases. Note: Revenue and EBITDA excluding impact of player trading; FX rate as of the date of announcement, 1 Adjusted for new stadium debt: £215mm investment in the new stadium added back to implied FV; 2 Multiple over 2005 financials; 3 Multiples calculated over current season financials as of June'09; 4 Assuming Net Debt as of June'08YE

Management is focused on growing high margin Commercial revenues

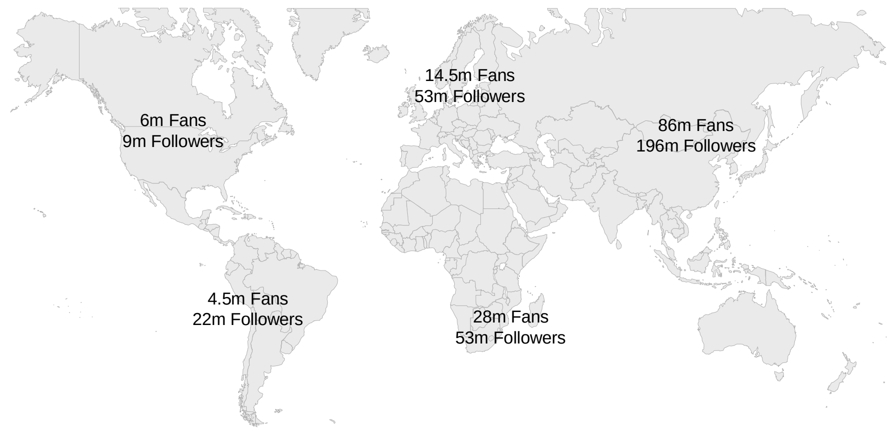
Following the ownership change, MUFC invested in a dedicated sales and marketing division to leverage the unique international following and global brand recognition of the club. The company hired a market research firm (TNS) to determine the depth and breadth of its international reach and to better monetise the sponsorship agreements. According to TNS, MUFC had 333m followers and 139m core fans worldwide. Core fans are defined as those who currently support MUFC and the club is their favorite team, Followers are defined as those who mention Manchester

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

United when asked which football team they support or follow at all and outside own country. The international fan base represents an attractive demographic for marketers, with a significant following by young males in the rapidly growing Asian, Middle Eastern and African markets (Figure 1). Management intends to increase its international popularity with tours in the off season.

Figure 1: Geographic Breakout of MUFC supporters



Source: Company reports

Management expects Commercial revenues to grow from 25% of revenues in FY09 to one-third of group revenues in the medium term. On the Q210 conference call, management said to expect greater than the reported 16% YoY growth in Commercial revenues going forward. Our base case estimate is that Commercial revenues will represent 35% of total revenues in 2015. For an overview of commercial revenues please see page 42 in the Appendix.

MUFC is focused on increasing revenues from Other sponsorship

In addition to the main shirt and technical sponsorships with Nike and AIG/AON, MUFC is focused on increasing revenues from Other sponsors. The company has identified a number of global and regional partnership opportunities across a range of industry classifications. MUFC reported FY09 Global, Regional, Mobile and Supplier (Other) sponsorship revenues of £19.5m, which grew 34% YoY despite the global economic headwinds. We expect Other sponsorship revenues to continue to grow as MUFC signs new global partnership deals (according to Haberturk, 15 March, MUFC signed a 3.5 year agreement with Turkish Airlines), regional partnerships (according to Bloomberg, 18 March, MUFC signed deals with mobile operators Telekom Malaysia and MTN) and as existing deals roll over at higher rates (the shirt sponsorship contracts stepped up significantly with Vodafone paying £9m, AIG paying £14 and AON will pay £20m per annum beginning in FY11). We note that sponsorship deals have limited associated costs, making Other sponsorship growth a significant driver of group EBITDA (MUFC estimates these revenues to be c.95% margin).

The outlook for global advertising spend is improving

Despite the resilience of MUFC's Commercial revenues in the recent downturn, we note that the outlook for global advertising spend is improving significantly. In our view increasing willingness to spend on advertising is positive for the outlook for MUFC’s ability to sign new sponsorship agreements. Leading market research firms expect the recovery in global advertising spend to begin in 2010, led by Asia Pacific and Central and

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Eastern Europe. Please see Table 4 for an overview of Zenith's estimates for growth in advertising spend by region in 2010-2012.

Table 4: Growth in advertising spend

% yoy, US$ current prices

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E
Asia Pacific	3.4%	8.4%	0.4%	0.8%	5.7%	7.4%	9.1%	5.9%	6.3%	2.3%	-3.1%	3.8%	5.3%	6.1%
C&E Europe	6.6%	19.3%	15.0%	17.0%	17.3%	20.6%	-5.9%	19.2%	23.5%	12.5%	-21.7%	2.3%	7.9%	9.5%
North America	15.3%	11.7%	-5.7%	1.7%	1.9%	6.0%	3.1%	4.5%	2.6%	-3.7%	-12.7%	-2.4%	1.7%	2.9%
Western Europe	8.3%	8.8%	-5.0%	-3.3%	0.8%	5.6%	4.8%	5.8%	4.2%	-1.5%	-11.8%	-0.5%	2.8%	3.3%

Source: Zenith Optimedia December 2009.

We expect Media revenues to grow as the value of premium football content to broadcasters, advertisers and customers increases. As mentioned above, the most significant sources of Media revenues relate to the Premier League and Champions League media rights. These rights are sold on a three year basis collectively by the Football Associations (on behalf of all of the clubs in the association) and distributed to the individual clubs by the FA and UEFA (Please see appendix 1 for an overview of the distribution). Media revenues have shown strong growth in recent years with the most recent round of Champions League rights growing 34% beginning in 2009/10 and domestic FAPL rights growing 4-5% (beginning 2010/11) despite being negotiated in March 2009, a time of significant economic uncertainty. The international FAPL rights are still in market, however according to The Independent (23 March), the international FAPL rights are set to more than double to £1.4bn for the three seasons through 2012/13 (we note this will be partly offset by higher parachute payments to relegated clubs). This figure has not been confirmed by the FA (we currently have £1bn in our model) however it significantly exceeds the 30% growth guidance provided by MUFC on the recent bond roadshow.

Demand for football content remains strong in the UK

Multichannel penetration in the UK now stands at 95%, driven by the growth of free digital terrestrial (Freeview). Pay TV operators therefore highly covet premium content, especially live sports, to differentiate their offering to subscribers. The value of the domestic Premier League rights grew 54% beginning in the 2007/08 season and 4-5% beginning 2010/11. BSkyB, the current owner of five sixths of the FAPL rights, in Q2 10 reported another strong quarter of net subscriber additions, driven by demand for high definition (HD) programming. BSkyB also announced the commercial and residential launch of 3D broadcasting for April 2010 and H210, respectively. At least one Premier League game each week will be broadcast in 3D. We note that ESPN has entered the UK subscription TV market. ESPN has significant financial backing and appears to be making a push into European sports. The company currently has two of six FAPL packages (one of five packages for the 2011-13 seasons), as well as FA Cup, German and Italian football rights.

Asia, the Middle East and Africa represent growth opportunities

We view regions such as Asia, the Middle East and Africa as major potential drivers for Media revenue growth. MUFC already has a very strong following in Asia with 86m fans and 196m followers and while in Africa the team has an estimated 28m fans and 53m followers. According to The Independent (23 March) there was a mix of pay TV and free-to-air (FTA) broadcasters which won the international rights, however we expect demand from pay TV operators to increase with multichannel penetration, similar to the present situation in the UK. The International component of the UCL rights is not broken out separately, however we expect International to be a major growth driver.

Table 5: DTH multichannel subscriber growth yoy

% yoy

	2005	2006	2007	2008	2009	CAGR 04-09
Asia	18.9%	20.4%	35.9%	32.7%	13.5%	24.0%
Eastern Europe	32.4%	63.8%	68.3%	49.7%	18.9%	45.4%
Latin America	11.0%	15.0%	23.7%	16.0%	11.4%	15.3%
Middle East	9.3%	6.4%	5.0%	5.7%	5.8%	6.4%
Western Europe	10.5%	5.8%	2.6%	3.5%	2.6%	5.0%
South Africa	22.3%	19.5%	23.7%	27.3%	22.0%	22.9%

Source: SNL and J.P. Morgan estimates.

Table 6: Total multichannel subscriber growth yoy

% yoy

	2005	2006	2007	2008	2009	CAGR 04-09
Asia	9.8%	7.5%	6.9%	6.5%	5.0%	7.1%
Eastern Europe	4.2%	8.2%	11.9%	12.6%	6.9%	8.7%
Latin America	8.3%	8.3%	11.9%	8.5%	6.5%	8.7%
Middle East	7.5%	6.0%	4.4%	4.6%	4.7%	5.5%
Western Europe	3.6%	3.8%	3.5%	0.8%	0.8%	2.5%
South Africa	13.2%	12.6%	18.0%	23.3%	17.9%	16.9%

Source: SNL and J.P. Morgan estimates.

We note MUFC's UCL Media revenues have stepped up with the new contract begun in the 2009/10 season and the FAPL revenues will step up beginning with the 2010/11 season. In our financial model we have assumed UCL and FAPL contracts step up 10% when current agreements expire and a 15% increase in international FAPL rights. We note that the Media rights have performance related payments, especially UCL revenues which could also provide outperformance of our base case assumptions (see Appendix 2 for details of Media revenue distributions).

Old Trafford is fully invested for the medium term. Over the last 15 years, MUFC has invested c.£100m in Old Trafford, including major renovations in 1996 and 2006 to expand capacity to c.76k as well as upgraded its executive boxes and seating. At present, Old Trafford is the largest club stadium in the UK and it is anticipated that only minor ongoing investments will be required going forward in order to maintain the current standard. We currently assume £5m in annual stadium capex, which consists of both maintenance capex and the refurbishment of some executive boxes, which is expected to deliver a positive return on investment.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

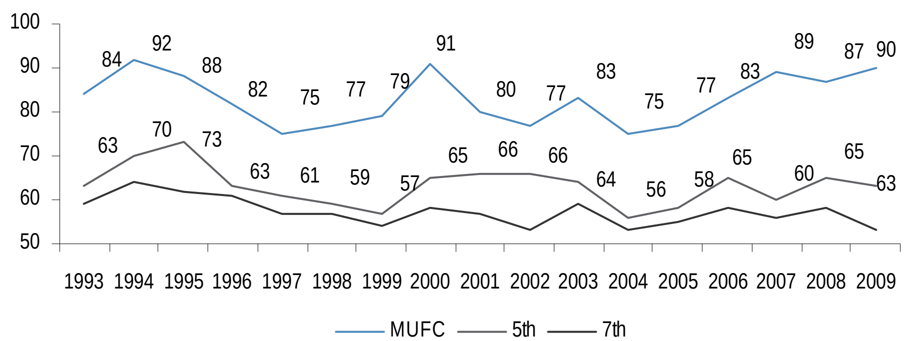
Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Credit risks and mitigants

MUFC's budget and our base case revenue assumptions assume continued on-field success in the FAPL and participation in the Champions League. As noted above, the structure of the Premier League allows larger market clubs to outspend smaller clubs and therefore consistently finish at the top of the league. On-field success is the lynchpin of MUFC's strategy and we therefore expect the club to make the required investments in players, coaches and support staff to consistently finish in the top four in the Premier League and qualify for the Champions League. The club has a very strong track record of success, since the inception of the Premier League in 1992, MUFC has never placed worse than 3rd. We note that MUFC has enjoyed a point buffer of on average 19.7 points (minimum 11 points) between itself and fifth place since the beginning of the FAPL (please see Figure 2).

Figure 2: Manchester United's performance gap to 5th and 7th ranked teams in the Premier League

Points per season



Source: Company data. Win=3 points, draw=1 point, loss=0 points.

Some downside protection provided by contingent payments in player contracts

In the event that the club does not qualify for the Champions League, some downside protection is built into the cost base due to the contingent component of player wages related to UCL qualification. The company suggests that a 'high single digit' million reduction in player pay would partly mitigate the impact if the club missed UCL. MUFC suggests that wages will become increasingly variable going forward, as the club is negotiating performance-based payments linked to its key financial catalysts (FAPL, UCL performance) in all contracts for players and coaches going forward. In our view, MUFC is further leveraging its track record of on-field success, as we would expect agents to be less willing to accept contingent payment terms for clubs outside of the "big four".

Qualification for the Europa League would generate some revenues

The UEFA Europa League is the 'second-tier' European competition organized by UEFA, the format is broadly similar to the Champions League. The competition is traditionally open to the runners-up of European domestic competitions. Three Premier League teams qualify for the Europa League (see p 35 for qualification details). In the event MUFC does not qualify for Champions League, the club may qualify for the Europa League and would therefore be able to recoup some Matchday revenues from home games and Media revenues from broadcasting rights (see our downside case scenario for more details on p.24).

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Manchester United's on field success depends on its ability to attract top talent to the first team. Competition for talent remains intense across top European Clubs. MUFC has relative financial scale advantages over most other clubs in Europe. The club generated the third highest revenues in football and in FY09 according to Deloitte (Annual Review of Football Finance, 2009) allowing it to compete financially for the top football talent (they are behind Real Madrid and Barcelona owing to a relatively strong euro and the individually negotiated media deals at Spanish clubs). The club also has a very strong youth development programme which gives the potential to add strong players to the first team without paying large transfer fees. In addition to pure financial considerations we believe top players and coaches will be attracted to MUFC's track record of success in the highest profile club competitions including the FAPL, domestic cups and the Champions League. We also note the value of association with the global MUFC brand increases the individual sponsorship potential of top players.

Player wages in football have grown well ahead of RPI in recent years as the competition for top talent remains fierce. We note that growth in player wages are highly correlated with Media rights, and the increase in the last round of FAPL rights was much lower than in the previous round (up 4.5-5.5% 2010-13 round from a 54% increase for the in the 2006-09 round) therefore weakening players negotiating position for near term contracts. As noted above, due to MUFC's unique track record of success, agents have been willing to include contingent payments in player contracts increasing the variability of player costs.

We expect Financial Fair Play to ease pressure on player transfers and salaries

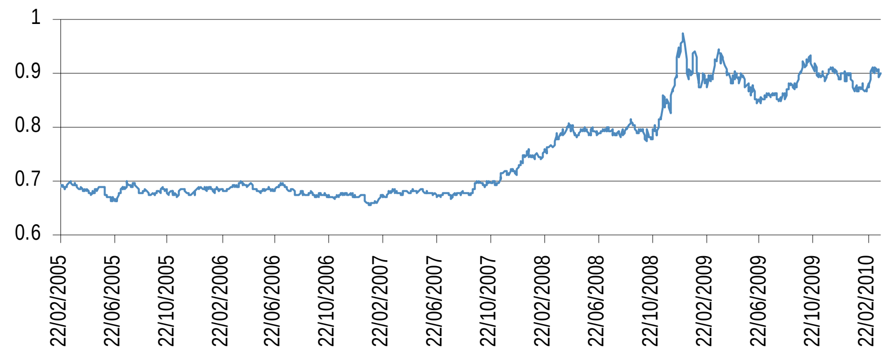
The concept of "financial fair play" proposed by UEFA has been approved by key stakeholders in European Football. The financial fair play concept intended to control rapid spending increases on players and to ensure European football remains a viable business model in the future. Under the proposal, which will likely be phased in by 2012/13 season (although some press reports have this pushed back to 2014/15), a club will have to at least break even on a financial basis to participate in UEFA competitions (Champions League, Europa League). The definition of financial break-even is still somewhat unclear, but basically limits a club's ability to pay for player capex, salaries and interest costs to their revenues on a three year rolling basis (ie. revenues – salaries –operating expenses - player capex - financial expense > 0, on a three year basis). There will be carve-outs for investment in facilities and youth academies. David Gill (MUFC's CEO), also a member of the European Club Association board, expects MUFC to be compliant with the new regulations. We note this should ease concerns of wealthy benefactors buying and running clubs at a loss, and gives clubs like Chelsea and Manchester City time to get their finances in order, according to a Guardian report (7 January) neither club would be in compliance with the new regulations.

Exposure to the euro is partly hedged by participation in UCL

The euro has appreciated materially against sterling in recent years. This has put English clubs at a disadvantage relative to the continental clubs in bidding for players. However, we note that English clubs participating in the Champions League or Europa League are partly hedged, as the prize money from these competitions is paid in euros (we estimate 12% of MUFC's 2009 revenues were generated by UCL).

Figure 3: EURGBP evolution

Close price previous day



Source: Bloomberg

The recent UK tax increase (income over £150k will be taxed at 50%) is also unhelpful for competitiveness with large European football markets. However, some relief is in sight. Spain has become less of a tax haven for foreign football players, as the incoming government has repealed the expatriate special tax of 24% on income over €600k.

Movement to collective negotiation of media rights could reduce European clubs' competitiveness bidding for players

The largest English clubs compete with the largest European clubs for top talent. We note that European League Media rights are materially smaller than the Premier League rights. However, top European clubs have been able to compete by negotiating Media rights on an individual basis rather than the more egalitarian collective negotiation done by the FA for all Premier League teams (we note there are performance related distributions in the FAPL). This tends to make the European Leagues less competitive, but results in a smaller number of European teams with the financial resources to field very competitive teams in the Champions League. Italian teams have historically negotiated the broadcasting rights individually but will move to collective rights from the 2010/11 season; this will probably increase the overall broadcasting revenues for the league but reduce it for the current top earners. According to a report in the Financial Times (19 March), The Spanish Football League is planning to impose limits on player salaries and transfer fees, capped at 70% of revenues. The move comes as the financial situation in the league looks especially weak, with average club revenues of €72m and average net debt of €860m. There will be a redraft of sports legislation in Spain in 2011 which may lead to a change in the rules around broadcasting rights.

We assume MUFC invests £25m annually in net player capex

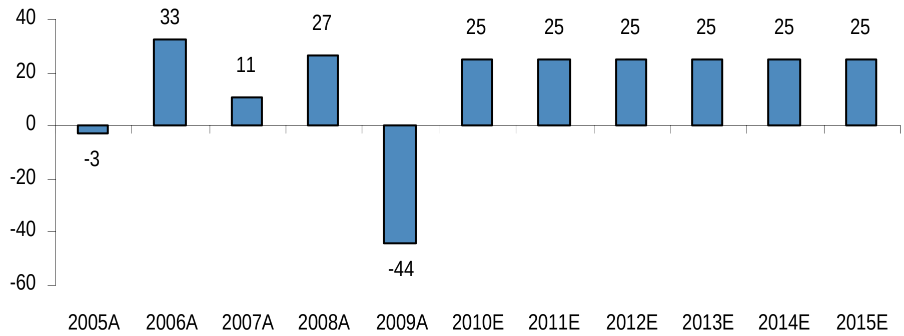
We currently assume that MUFC will spend £25m per annum on player capex. We note that this is 25% above the FY98 to FY08 average net player capex spend of £19.8m (£13.1 including Ronaldo sale in FY09). According to management, MUFC's first team has an average age of 26 (please see Table 20 for the first team squad) and we do not see the need for exceptional investment at present, however we note that player capex tends to be lumpy in nature and do not rule out a significant acquisition in the near term.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Figure 4: Net player capex

£ in millions



Source: Company reports and J.P. Morgan estimates. As per J.P.Morgan's base case.
A positive number in suggests a cash outflow.
The large negative capex in 2009 is due to the £80m received from the sale of Ronaldo.

MUFC has enjoyed success under the FAPL's longest standing manager, Sir Alex Ferguson. Sir Alex has managed MUFC for 24 seasons and has very strong ties within the club and the community. He is currently on a one year rolling contract with MUFC, and while we would not expect him to leave MUFC for financial reasons, at 68 years of age the club has a contingency plan in place in the event Sir Alex wishes to reduce his day-to-day role with the club. MUFC has a strong infrastructure of c.100 people supporting him presently (primarily training, coaching, scouting and medical staff) and has succession plan in place for when he does leave. Given the profile of the club and their regular participation in domestic and European competitions, we do not foresee issues with the recruitment of a top-tier replacement manager. We also note that high calibre players would also ease the transition. For example, Chelsea has had three managers since the departure of very highly regarded manager, Jose Mourinho, in September 2007 yet maintained a high level of performance on field.

We expect MUFC to report FY10 net cash pay leverage of 4.9x. In our view, this is mitigated by the large proportion of Manchester United's revenues that are contract based and the potential for an accelerating pace of deleveraging as high margin Commercial contracts are signed and as the club exceeds their on-field performance budget. Precedent transactions also imply a significant equity cushion in the structure beyond the debt (for recent football transaction multiples see Table 3).

While we view the size of MUFC's fan base as a credit positive, we note the recent Manchester United Supporters Trust (MUST) campaign against current ownership appears to be gaining traction with the broader fan base and some domestic media outlets. MUST is a volunteer run organisation with a goal of restoring supporter ownership of MUFC. MUST believe profits generated by the club should be reinvested in players, facilities or reduced ticket prices. Based on recent press reports, MUST and supporters' concerns revolve around the level of debt on the club, recent increases in ticket prices and the (albeit limited) cash returns the Glazers have taken out of the business and cash that may leave the group in the future.

MUST supports a bid by the Red Knights

MUST recently lent its support to a group that calls itself the "Red Knights", a group of high net worth supporters of the club, who have hired advisors to explore the feasibility of a bid for MUFC. Together, the Red Knights and MUST seek the support of MUFC fans and encourage them to take action against current ownership. MUST has 146k members (we note membership only requires a name and email address) and the green and gold campaign (MUST encourages supporters to wear the original club colours, when MUFC were known as Newton Heath) has been a highly visible sign of protest of the current ownership.

The financial impact of supporter protest has been limited so far

According to MUFC, the financial impact of the supporter backlash has been limited. However, we note that Executive and Season tickets are now on sale, so the company will be better able to gauge the demand for MUFC seats in light of the MUST campaign by the end of the fiscal year (we note MUFC announced ticket prices will remain flat YoY for the 2010/11 season). We note that there are 17k people on the waiting list for MUFC season tickets, however this somewhat overstates the demand as we note that no deposits have been paid and many seek specific seats in the stadium.

In our view, the priorities of the owners and supporters are aligned

While it appears unlikely that the Glazer family will embark on a PR campaign to ease supporters' worries, we believe the priorities of MUFC ownership and supporters are closely aligned. The Glazer family has significant equity at risk in the investment, having contributed £272m in equity to finance the 2005 bid (which is subordinated to the senior secured and PIK debt). The company's stated strategy revolves around strong on-field performance (see scenario analysis on pg. 24), and we therefore expect the club to make the necessary investment in on-field talent to remain successful in the FAPL and UCL. It is difficult to deny the very strong performance of the club since the Glazer family became owners. Continued outperformance of the company's budgeted on-field performance may reduce the concerns of supporters.

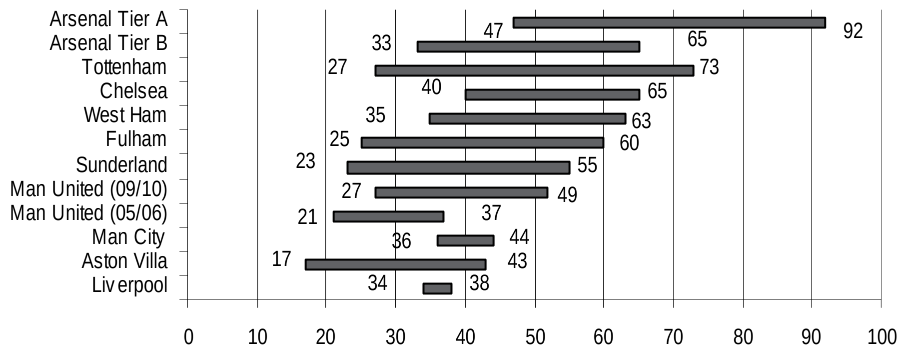
We do not assume further significant ticket price increases

MUFC supporters (and MUST) have been outspoken against the ticket price increases following the Glazer takeover. The club has confirmed that ticket prices will be frozen for the 2010/11 season and we do not expect the club to make further significant price increases in the near term. We assume RPI-like price increases in Seasonal and General Admission seating beginning in FY12. We note that MUFC ticket prices still compare favourably to the other "big four clubs". Much of the ticket increase has come from "yield management", which differentiates the pricing of tickets according to their relative value. As illustrated in Figure 5, the low end ticket price for MUFC has remained much more stable than the high end and MUFC prices still compare favourably with the London clubs.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Figure 5: Ticket prices
GBP



Source: Company reports.

The Glazers have taken only limited cash out of the company

The Glazers have made limited (relative to a £272m equity investment) cash payments since the buyout in 2005 (c. £10m in management fees and a c. £10m interest bearing loan). We note that ownership will be able to take more cash from the business under the bond documentation. The £70m restricted payment basket carve out has drawn the ire of supporters, however the cash remains on balance sheet and the owners are yet to declare their intentions. We also note that revenues and EBITDA have increased significantly since the buyout, largely on the development of a significant Commercial division (which does not negatively impact the outspoken UK fan base). We do not know what the return requirements are for the Red Knights reported £1.2bn bid for the club, however we would expect the investors to seek a return on capital put at risk.

We expect weak economic conditions would have a negative impact on MUFC's business. In our view, the economic headwinds experienced in FY08 and FY09 stand as litmus tests of the resilience of the business. As noted previously, MUFC's group revenues grew 22% and 9% YoY in 2008 and 2009 respectively, owing to contracted revenue step-ups, strong demand for premium live sport and playing performance. Most of the impact from the economic slowdown was felt in the Executive hospitality business, which we would argue is a highly discretionary expense.

Ofcom Pay-TV review may dampen growth in broadcasting revenues

Ofcom, the communications regulator in the UK, is expected to publish its final consultation on the pay-TV market by the end of March. For an in-depth analysis of the previous consultations' suggestions please see the two following reports by J.P. Morgan's BSkyB equity analyst Mark O'Donnell: 'BSkyB Focus shifting to operating performance; upgrade to Neutral' 22 July 2009 and 'BSkyB Expensive growth with regulatory uncertainty' 24 August 2009. Ofcom's view is that Sky has dominant market power in the market for wholesale and retail premium sports and movie content. Ofcom has proposed a cut of on average 21% to Sky's wholesale prices. This will lower the incremental value of premium content for Sky unless the price cut leads to a significant increase in the premium content subscriber base. Ofcom has estimated that there are potentially 2m subscribers on DTT/IPTV who would subscribe to premium content if it was available. These subscribers would fully offset the impact of lower wholesale rates for Sky. We see the Ofcom review as a slight negative for Manchester United, unless there are changes made to the current

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

proposal. Even with a subscriber increase the best case scenario will be that the incremental real value of the Premier League rights to an owner will remain constant.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Scenario Analysis

In this section, we present our financial estimates under three scenarios: Our base case, which incorporates MUFC's on-field performance budget case; our upside case, which represents a continuation of MUFC's recent on-field performance; and our downside scenario, which assumes MUFC misses the UCL in two of the years between now and 2015.

In our view, the most significant driver of MUFC's financials is the level of on-field success, which drives Matchday through the number of UCL and domestic cup home games (and potentially the level of capacity utilisation and ticket prices) and determines the performance-related Media payments. We also view the expected level of player wage growth to be important; this has historically been correlated with the rate of growth in Media rights (as described on p. 36). We view the growth of the high-margin Other Sponsorship revenues as another key determinant of financial health in our model. In the table below we outline our key assumptions under each case. Under all scenarios, we assume the full £6m management fee available to the owners is paid, and we have not added this back to EBITDA when calculating credit metrics.

On our base case assumptions, we expect MUFC to modestly grow revenues from 2011 (after the performance step-down from the 2010 result, which is already ahead of budget). We expect revenue growth primarily from the Commercial division as the technical and shirt contracts step-up and continued growth in Other sponsorship. We note that we have assumed 10% growth in the shirt sponsorship revenues (in FY15) and have not assumed any change in the technical sponsorship agreement with Nike, which may actually represent upside beyond the period of analysis (ie. beginning FY16). We believe these estimates are very conservative versus the company's expectations. We also model continuing growth from the Media division, as Premier League rights (domestic and International) increase from 2011 (somewhat offset by player wage increases). We expect EBITDA margins will gradually return to 2010 levels as higher revenues cover fixed costs and revenue mix moves towards the higher-margin Commercial division. We expect Commercial to represent 35% of group revenues by FY15 owing to contract step ups and growth in Other sponsorships as well as a lower level of on-field performance under base case assumptions.

Under our base case scenario, EBITDA to FCF conversion is relatively low (assuming £6m permitted management fees taken by owners) on significant interest costs, working capital outflow and capex. We forecast £5m per annum of maintenance capex (including executive box refurbishment, which is positive ROI) and net player capex of £25m. We note that MUFC has averaged player capex of c.£20m over the last 10 years (this falls to c. £13m if the FY09 £80m sale of Ronaldo is included). However, player capex has the potential to be lumpy year-to-year and we do not rule out a significant outflow in the near term.

We believe our working capital expectations are conservative. The most significant cost items (salaries) are spread evenly throughout the year, however the company has significant (positive) timing mismatches; the company receives significant cash inflows in Q4 from season ticket and Executive hospitality sales, which unwinds through Q3. There are also timing mismatches between Media cash payments and recognition. We expect these revenues to increase YoY, and therefore working capital should be slightly positive YoY. We note that MUFC received a £35m advance payment from AON for its four year shirt sponsorship in FY09, which will result in an c.£8.5m annual unwind over the next four years (through FY14). On the bond roadshow, the company said that

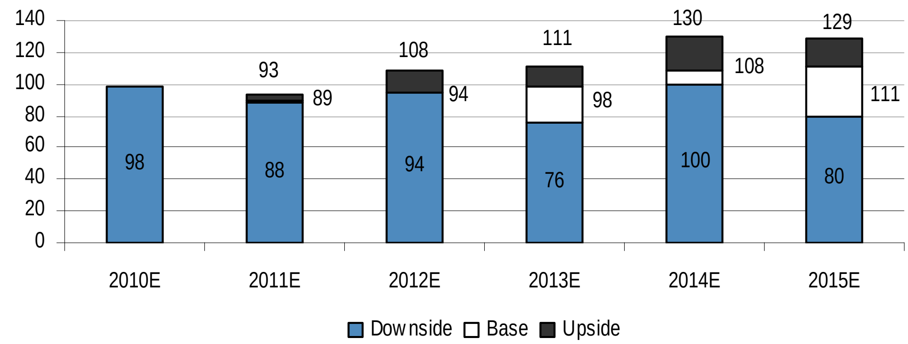
Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

it does not expect to pay cash tax for the life of the bond. We have assumed no cash taxes are paid in our model.

Figure 6: Operating EBITDA under our three scenarios

£ millions

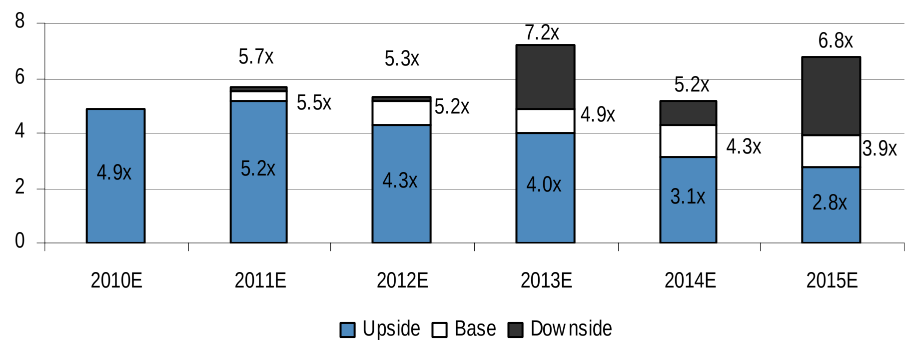


Source: J.P. Morgan estimates.

Under all three scenarios, we assume the £70m carve-out of the restricted payments basket leaves the bondholder group although we note that the cash remains on balance sheet. The level of net debt and leverage changes materially depending on the scenario due primarily to the impact on EBITDA. However, we note that even under our downside case, MUFC has adequate liquidity through 2015.

Figure 7: Net leverage under our three scenarios

times



Source: J.P. Morgan estimates.

Under all three scenarios, we assume 2010 on-field performance is: 3rd place in Premier League (MUFC currently 1st place), quarter finals in Champions League (currently in quarter finals), winners of the League Cup (recently won the Carling Cup) and the team has lost in the third round of the FA Cup. The major assumptions for on-field performance from 2011-2015, Matchday, Media, costs and capex under each scenario are outlined below.

We note that under the downside scenario (as detailed on p. 23) which assumes that MUFC fails to qualify for Champions League in two of the upcoming seasons (only the top four teams in the Premier League qualify for the Champions League), we believe it reasonable to assume that it qualifies for the Europa League (three teams from FAPL qualify). If MUFC reaches the group of 16 in the FY11 Champions League tournament we estimate the related incremental revenues to be: c.£28m in Media revenues (assuming a 3rd place finish in the Premier League in FY10), c.£9m in Matchday revenues (assuming four home games and associated other revenues). If MUFC does not qualify for the Champions League, it may qualify for the European Cup (three teams from FAPL qualify). The Media deal is significantly smaller than Champions League, however we estimate that MUFC could receive low single digit millions if it reached the round of 16 in the European Cup. Player contracts include a bonus related to qualification for Champions League, if it does not qualify the company will save 'high single digit millions' in player costs. Management said that they would increase their promotional tours in the event the club did not perform well in the FAPL and failed to qualify for Champions League, clawing back an additional c.£2-3m (which we have not given benefit for in our model). In total, the company estimates the negative incremental EBITDA impact to be c. £15m. A fifth place finish would also have negative implications on Media revenues due to the Merit Award component of the Premier League rights.

Table 7: MUFC scenario summary assumptions

£m

	Base case	Upside case	Downside case
On- field performance (2011 - 2015)	3rd place in the Premier League Qualifying for the Champions League and proceeding to the round of 16 Reach the quarter-finals in both the FA Cup and the League (Carling) Cup	2nd place in the Premier League Alternating between Quarter finals and Semi-finals in Champions League Reach the semi-finals in both the FA Cup and the League (Carling) Cup	Under this scenario, we assume MUFC fails to qualify for UCL (finishing 5th in the FAPL) two of the next five years. 3rd place in the Premier League in 2011, 2013 and 2015 and 5th place in 2012 and 2014. We assume that the club qualifies for the Europa League, proceeding to the round of 16. Reach the quarter-finals in both the FA Cup and the League (Carling) Cup
Matchday	Under the scenario above we assume 26 home games per year (19 FAPL, 4 UCL and 2 domestic cups). Executive Hospitality – we expect a gradual increase in capacity utilisation from FY10 and assume an RPI type increase in ticket prices. Season Tickets – We assume RPI type increase in ticket prices from FY11. General Admission and Away seats: We assume RPI type increase in ticket prices from FY10 and 98% capacity utilisation (99% historically).	Under the scenario above we assume 28-29 home games per year (19 FAPL, 5/6 UCL and 3 domestic cups). Executive Hospitality – we expect a gradual increase in capacity utilisation from FY10 and assume an RPI type increase in ticket prices. Season Tickets – We assume RPI type increase in ticket prices from FY11. General Admission and Away seats: We assume RPI type increase in ticket prices from FY10 and 98% capacity utilisation.	Under the scenario above we assume 26 home games per year (19 FAPL, 4 UCL or 4 Europa League and 2 domestic cups). Executive Hospitality – we expect a gradual increase in capacity utilisation from FY10 and assume an RPI type increase in ticket prices. Season Tickets – We assume RPI type increase in ticket prices from FY11. General Admission and Away seats: We assume RPI type increase in ticket prices from FY10 and 98% capacity utilisation.
Media	FAPL domestic – We assume 10% growth in the next 3yr contract (beginning 2013). We expect MUFC games are broadcast 24 times during the season (maximum 26 games). FAPL International - We assume 20% growth in the next 3yr contract (beginning 2013) UCL - We assume 15% growth in the next 3yr contract (beginning 2012)	FAPL domestic – We assume 15% growth in the next 3yr contract (beginning 2013). We expect MUFC games are broadcast 24 times during the season (maximum 26 games). FAPL International - We assume 25% growth in the next 3yr contract (beginning 2013) UCL - We assume 20% growth in the next 3yr contract (beginning 2012)	FAPL domestic – We assume 0% growth in the next 3yr contract (beginning 2013). MUFC games are broadcast 24 times during the season (maximum 26 games). FAPL International - We assume 15% growth in the next 3yr contract (beginning 2013) UCL - We assume 10% growth in the next 3yr contract (beginning 2012)
Commercial	We assume 15% growth in Other Sponsorship revenues.	We assume 20% growth in Other Sponsorship.	We assume 5% growth in Other Sponsorship.
Costs	We assume player salaries rise 7% YoY in our base case scenario at the low end in the near term given the lack of media rights inflation in the current round We have modelled other variable costs primarily on the number of games hosted at Old Trafford and team travel expenses with away games	We assume player salaries rise 8% YoY given the lack of media rights inflation in the current round. We have modelled other variable costs primarily on the number games hosted at Old Trafford, team travel expenses with away games	We assume player salaries rise 5% YoY given the lack of media rights inflation in the current round. We have modelled other variable costs primarily on the number games hosted at Old Trafford, team travel expenses with away games
Capex	We have modelled capex in-line with recent averages. We assume player capex of £25m and maintenance capex of £5m per annum (no major facilities investments required).	We have modelled capex in-line with recent averages. We assume player capex of £25m and maintenance capex of £5m per annum (no major facilities investments required).	We have modelled capex in-line with recent averages. We assume player capex of £30m as we assume the club spends to improve on-field performance and maintenance capex of £5m per annum (no major facilities investments required).

Source: J.P. Morgan estimates.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Table 8: MUFC summary financials - Base case scenario

£m

	2008A	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Match Day	101	109	98	92	95	97	99	101
Media	91	100	109	103	103	108	115	116
Commercial	64	70	75	83	89	94	101	110
Total revenues	256	278	282	278	286	298	315	326
FAPL	19	19	19	19	19	19	19	19
UCL	6	6	5	4	4	4	4	4
FA Cup	3	1	1	2	2	2	2	2
Carling Cup	1	4	3	1	1	1	1	1
Number of home games	29	30	28	26	26	26	26	26
Total operating expenses	255	269	279	284	290	299	309	319
Adjusted operating profit	2	12	5	(6)	(3)	(1)	7	8
Adjusted EBITDA	81	94	92	83	88	92	102	105
Management fees	1	3	6	6	6	6	6	6
Operating EBITDA	82	97	98	89	94	98	108	111
Growth								
Revenues	22.0%	8.7%	1.4%	(1.7)%	3.2%	4.0%	5.9%	3.4%
Adjusted EBITDA	5.7%	16.1%	(2.4)%	(10.0)%	6.3%	5.0%	10.8%	2.7%
Operating EBITDA	5.1%	17.9%	0.7%	(9.4)%	5.9%	4.7%	10.1%	2.6%
Margins								
Staff costs as a % of revenues	47.3%	44.2%	44.6%	46.7%	46.4%	46.8%	46.5%	47.2%
Adjusted operating profit	0.6%	4.4%	1.8%	(2.2)%	(1.0)%	(0.2)%	2.3%	2.4%
Adjusted EBITDA	31.6%	33.8%	32.5%	29.8%	30.7%	31.0%	32.4%	32.2%
Operating EBITDA	32.1%	34.9%	34.6%	31.9%	32.8%	33.0%	34.3%	34.0%
Cash flow statement								
Adjusted EBITDA	81	94	92	83	88	92	102	105
Net cash interest expense	(59)	(41)	(28)	(47)	(45)	(45)	(44)	(44)
Cash taxes	(0)	0	0	0	0	0	0	0
Other	(1)	(2)	0	0	0	0	0	0
Funds from operations	21	51	64	36	43	48	58	61
Working capital	8	20	3	(9)	(9)	(9)	(9)	0
Cash flow from operations	29	71	69	27	35	39	49	61
Purchase of tangible assets	(17)	(4)	(5)	(5)	(5)	(5)	(5)	(5)
Net player capex	(26)	44	(25)	(25)	(25)	(25)	(25)	(25)
Capex	(43)	40	(30)	(30)	(30)	(30)	(30)	(30)
Free cash flow	(14)	111	40	(3)	5	9	19	31
Cash flow from investing	(44)	40	(30)	(30)	(30)	(30)	(30)	(30)
Cash flow from financing	2	(10)	(36)	(5)	(5)	(5)	(5)	(5)
Opening cash balance	62	50	151	154	147	147	151	166
Change in cash	(12)	101	4	(8)	0	5	15	26
Ending cash balance	50	151	154	147	147	151	166	192
Restricted cash	0	0	70	70	70	70	70	70
Adjusted cash balance	50	151	84	77	77	81	96	122
Total cash pay debt	525	515	534	534	534	534	534	534
Net cash pay debt	475	364	450	458	457	453	438	412
PIK debt	177	202	162	185	212	242	276	316
Ratios								
Cash pay debt / EBITDA	6.5x	5.5x	5.8x	6.5x	6.1x	5.8x	5.2x	5.1x
Net cash pay debt / EBITDA	5.9x	3.9x	4.9x	5.5x	5.2x	4.9x	4.3x	3.9x
Net total debt / EBITDA	8.1x	6.0x	5.9x	6.9x	6.8x	6.8x	6.3x	6.3x
EBITDA / cash interest expense	1.4x	2.3x	3.3x	1.7x	1.9x	2.0x	2.3x	2.3x

Source: Company reports and J.P. Morgan estimates.

We have adjusted MUFC's balance sheet cash for the £70 RP carveout (Restricted cash). We have given this benefit to the Red Football Joint Venture PIK debt, and have assumed it accrues at 14.25% per annum.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Table 9: MUFC summary financials - Upside scenario

£m

	2008A	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Match Day	101	109	98	96	101	101	106	105
Media	91	100	109	108	116	119	134	129
Commercial	64	70	75	84	91	98	109	121
Total revenues	256	278	282	288	308	318	348	355
FAPL	19	19	19	19	19	19	19	19
UCL	6	6	5	5	6	5	6	5
FA Cup	3	1	1	2	2	2	2	2
Carling Cup	1	4	3	2	2	2	2	2
Number of home games	29	30	28	28	29	28	29	28
Total operating expenses	255	269	279	290	298	307	319	329
Adjusted operating profit	2	12	5	(2)	11	12	29	26
Adjusted EBITDA	81	94	92	87	102	105	124	123
Management fees	1	3	6	6	6	6	6	6
Operating EBITDA	82	97	98	93	108	111	130	129
Growth								
Revenues	22.0%	8.7%	1.4%	1.9%	7.1%	3.2%	9.4%	2.0%
Adjusted EBITDA	5.7%	16.1%	(2.4)%	(5.0)%	16.5%	3.3%	18.7%	(0.9)%
Operating EBITDA	5.1%	17.9%	0.7%	(4.7)%	15.4%	3.1%	17.7%	(0.9)%
Margins								
Staff costs as a % of revenues	47.3%	44.2%	44.6%	46.4%	44.9%	45.6%	44.3%	45.6%
Adjusted operating profit	0.6%	4.4%	1.8%	(0.5)%	3.5%	3.8%	8.5%	7.4%
Adjusted EBITDA	31.6%	33.8%	32.5%	30.3%	33.0%	33.0%	35.8%	34.8%
Operating EBITDA	32.1%	34.9%	34.6%	32.4%	34.9%	34.9%	37.5%	36.5%
Cash flow statement								
Adjusted EBITDA	81	94	92	87	102	105	124	123
Net cash interest expense	(59)	(41)	(28)	(47)	(44)	(44)	(44)	(44)
Cash taxes	(0)	0	0	0	0	0	0	0
Other	(1)	(2)	0	0	0	0	0	0
Funds from operations	21	51	64	40	57	61	80	80
Working capital	8	20	3	(9)	(9)	(9)	(9)	0
Cash flow from operations	29	71	69	32	49	52	72	80
Purchase of tangible assets	(17)	(4)	(5)	(5)	(5)	(5)	(5)	(5)
Net player capex	(26)	44	(25)	(25)	(25)	(25)	(25)	(25)
Capex	(43)	40	(30)	(30)	(30)	(30)	(30)	(30)
Free cash flow	(14)	111	40	2	19	22	42	50
Cash flow from investing	(44)	40	(30)	(30)	(30)	(30)	(30)	(30)
Cash flow from financing	2	(10)	(36)	(5)	(5)	(5)	(5)	(5)
Opening cash balance	62	50	151	154	151	165	183	220
Change in cash	(12)	101	4	(3)	14	17	37	45
Ending cash balance	50	151	154	151	165	183	220	265
Restricted cash	0	0	70	70	70	70	70	70
Adjusted cash balance	50	151	84	81	95	113	150	195
Total cash pay debt	525	515	534	534	534	534	534	534
Net cash pay debt	475	364	450	453	439	422	384	340
PIK debt	177	202	162	185	212	242	276	316
Ratios								
Cash pay debt / EBITDA	6.5x	5.5x	5.8x	6.1x	5.3x	5.1x	4.3x	4.3x
Net cash pay debt / EBITDA	5.9x	3.9x	4.9x	5.2x	4.3x	4.0x	3.1x	2.8x
Net total debt / EBITDA	8.1x	6.0x	5.9x	6.5x	5.7x	5.7x	4.7x	4.7x
EBITDA / cash interest expense	1.4x	2.3x	3.3x	1.8x	2.3x	2.3x	2.8x	2.7x

Source: Company reports and J.P. Morgan estimates.

We have adjusted MUFC's balance sheet cash for the £70 RP carveout (Restricted cash). We have given this benefit to the Red Football Joint Venture PIK debt, and have assumed it accrues at 14.25% per annum.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Table 10: MUFC - Summary financials - Downside scenario

£m

	2008A	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Match Day	101	109	98	92	95	94	99	98
Media	91	100	109	103	102	80	109	84
Commercial	64	70	75	81	84	85	89	93
Total revenues	256	278	282	275	280	259	297	276
FAPL	19	19	19	19	19	19	19	19
UCL / Europa League	6	6	5	4	4	4	4	4
FA Cup	3	1	1	2	2	2	2	2
Carling Cup	1	4	3	1	1	1	1	1
Number of home games	29	30	28	26	26	26	26	26
Total operating expenses	255	269	279	283	284	284	298	299
Adjusted operating profit	2	12	5	(7)	(3)	(24)	(1)	(23)
Adjusted EBITDA	81	94	92	82	88	68	94	74
Management fees	1	3	6	6	6	6	6	6
Operating EBITDA	82	97	98	88	94	74	100	80
Growth								
Revenues	22.0%	8.7%	1.4%	(2.5)%	1.7%	(7.4)%	14.6%	(7.2)%
Adjusted EBITDA	5.7%	16.1%	(2.4)%	(10.7)%	7.1%	(22.0)%	37.8%	(21.7)%
Operating EBITDA	5.1%	17.9%	0.7%	(10.1)%	6.6%	(20.6)%	34.8%	(20.4)%
Margins								
Staff costs as a % of revenues	47.3%	44.2%	44.6%	46.6%	45.3%	48.2%	46.0%	49.1%
Adjusted operating profit	0.6%	4.4%	1.8%	(2.5)%	(1.1)%	(9.4)%	(0.2)%	(8.4)%
Adjusted EBITDA	31.6%	33.8%	32.5%	29.8%	31.3%	26.4%	31.8%	26.8%
Operating EBITDA	32.1%	34.9%	34.6%	31.9%	33.5%	28.7%	33.8%	29.0%
Cash flow statement								
Adjusted EBITDA	81	94	92	82	88	68	94	74
Net cash interest expense	(59)	(41)	(28)	(47)	(45)	(45)	(45)	(45)
Cash taxes	(0)	0	0	0	0	0	0	0
Other	(1)	(2)	0	0	0	0	0	0
Funds from operations	21	51	64	35	43	24	50	29
Working capital	8	20	3	(9)	(9)	(9)	(9)	0
Cash flow from operations	29	71	69	26	35	15	41	29
Purchase of tangible assets	(17)	(4)	(5)	(5)	(5)	(5)	(5)	(5)
Net player capex	(26)	44	(25)	(30)	(30)	(30)	(30)	(30)
Capex	(43)	40	(30)	(35)	(35)	(35)	(35)	(35)
Free cash flow	(14)	111	40	(9)	(0)	(20)	6	(6)
Cash flow from investing	(44)	40	(30)	(35)	(35)	(35)	(35)	(35)
Cash flow from financing	2	(10)	(36)	(5)	(5)	(5)	(5)	(5)
Opening cash balance	62	50	151	154	141	136	112	113
Change in cash	(12)	101	4	(13)	(5)	(24)	1	(11)
Ending cash balance	50	151	154	141	136	112	113	103
Restricted cash	0	0	70	70	70	70	70	70
Adjusted cash balance	50	151	84	71	66	42	43	33
Total cash pay debt	525	515	534	534	534	534	534	534
Net cash pay debt	475	364	450	463	468	493	491	502
PIK debt	177	202	162	185	212	242	276	316
Ratios								
Cash pay debt / EBITDA	6.5x	5.5x	5.8x	6.5x	6.1x	7.8x	5.7x	7.2x
Net cash pay debt / EBITDA	5.9x	3.9x	4.9x	5.7x	5.3x	7.2x	5.2x	6.8x
Net total debt / EBITDA	8.1x	6.0x	5.9x	7.1x	6.9x	9.7x	7.4x	10.1x
EBITDA / cash interest expense	1.4x	2.3x	3.3x	1.7x	1.9x	1.5x	2.1x	1.6x

Source: Company reports and J.P. Morgan estimates.

We have adjusted MUFC's balance sheet cash for the £70 RP carveout (Restricted cash). We have given this benefit to the Red Football Joint Venture PIK debt, and have assumed it accrues at 14.25% per annum.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Transaction Overview

Manchester United launched the senior secured bond deal on 11 January 2010. In connection with senior secured offering, MUFC entered into a new revolving credit facility of £75 million.

The company will use cash on balance sheet and the bond proceeds to repay the existing first lien debt and to restructure existing interest rate swaps. MUFC has crystallised the liability owed to hedging counterparties (liability as of 21 January, 2010 was £38.6m) and reduced the liabilities by approximately £11 million in conjunction with the issuance. MUFC has agreed to repay the remaining mark-to-market liability in cash over the next six years (we have included a c.£5m annual outflow from financing in our financial model).

We note that under bond documentation, MUFC has the ability dividend, distribute, or loan £70m to Red Football JV Limited, however we note that the owners are yet to state their intentions and the cash remains on balance sheet.

Table 11: Transaction - Sources and uses

£ millions

Sources	£m	Uses	£m
Cash on balance sheet	33	Repayment of existing credit facilities	507
New senior secured notes	500	Partial payment of interest rate hedging liabilities	11
		Loan to Red Football Joint Venture Limited	0
		Estimated fees and costs	15
Total sources	533	Total uses	533

Source: Company reports.

(1) The company issued £250 million in aggregate principal amount of Sterling Notes issued with an original issue discount of 1.911% and $425 million in aggregate principal amount of Dollar Notes issued with an original issue discount of 1.935%. The gross proceeds of the Dollar Notes have been stated in sterling at a rate of $1.633 per £1.00.

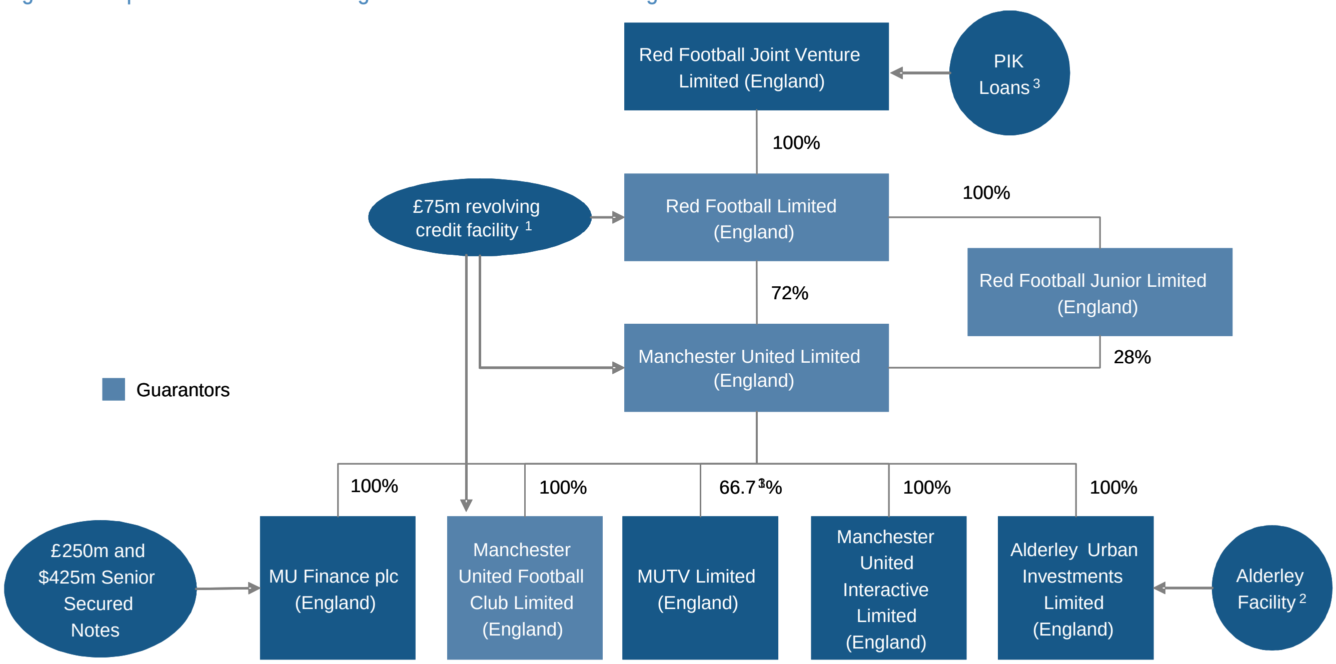
Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Capital structure

The senior secured notes are issued from MU Finance plc, a finance vehicle guaranteed by MUFC's material wholly-owned operating companies. Approximately £400 million of the proceeds were loaned to Red Football Joint Venture Limited on an interest-free basis from Manchester United Limited, which was then subsequently passed to Red Football Limited by way of a capital contribution. Liabilities under the new revolving credit facility and certain hedging obligations will receive priority with respect to any proceeds from the enforcement of security and the guarantees.

Figure 8: Corporate structure following Senior Secured Notes offering



(1) 33.3% of MUTV Limited is owned by British Sky Broadcasting Group PLC. On 16 November 2007, MUTV issued an aggregate principal amount of £5 million loan stock to British Sky Broadcasting Group PLC. As of 30 September 2009, £5 million in aggregate principal amount of loan stock was outstanding.
(2) In May 2008, the company entered into a ten year amortising term loan facility with The Royal Bank of Scotland plc in an aggregate principal amount of £8.0 million that matures in October 2018. The proceeds of the loan facility were used to purchase the Manchester International Freight Terminal, and the loan facility is secured by a mortgage on that property. As of 30 September 2009, £7.7 million was outstanding under this loan facility.
(3) Red Football Junior Limited was incorporated in order to acquire shares in Manchester United Limited as part of the overall acquisition of Manchester United Limited by the current shareholders.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Covenant review

Table 12: Covenant Summary

Notes	8 3/8% (USD) and 8 3/4% (GBP) Notes due 2017		
Security	Senior Notes		
Coupon	8.375% (dollar tranche) / 8.500% (sterling tranche)		
Maturity Date	01-Feb-17		
Principal Amount	US$425 million / £250 million		
Call Schedule		Sterling notes	Dollar notes
	01-Feb-13	@ 108.750%	@ 108.375%
	02-Feb-14	@ 104.375%	@ 104.188%
	03-Feb-15	@ 102.188%	@ 102.094%
	01-Dec-16	@ 100.000%	@ 100.000%
Debt Incurrence Test	2.0x Fixed Charge Coverage Test; 4.0x Consolidated Senior Secured Debt Test		
Key Debt Carveouts	£75M Credit Facility debt basket; £50M Capital Lease Obligations, mortgage financings, purchase money obligations, and including all Permitted Refinancing Indebtedness; £50M general debt basket; incurrence of hedging obligations in the ordinary course of business and not for speculative purposes		
RP Test	Must be able to incur £1 of debt under 2.0x Fixed Charge Coverage and be within the basket limitations/carveouts		
General RP Basket	50% of Consolidated Net Income (CNI), unless CNI is negative (then, less 100% of CNI deficit); plus 100% of aggregate cash proceeds received as a contribution to its common equity capital or from the issue or sale of Equity interest of parent; plus, if any unrestricted subsidiary is redesignated as a restricted subsidiary, the lesser of (a) fair market value of parent's investment in the subsidiary as of the date of redesignation or (b) fair market value as of the date on which the subsidiary was originally designated as unrestricted after the indenture		
Other RP Carveouts	Up to £70M of dividends, distributions, or loans by the parent or any restricted subsidiary to Red Football JV Limited; £25M general RP basket as long as no event of default has occurred and is continuing; payment of dividends on capital stock of the parent up to 6% per annum of net cash proceeds received by parent in any such public equity offering		
Key Permitted Liens	£25 million general basket; liens existing on issue date; replacement liens for refinancings; liens securing hedging obligations, liens created for the benefit of (or to secure) the notes; liens to secure indebtedness under £50M general basket; and liens to secure indebtedness under £50M capital lease obligations basket		
Permitted Investments	Up to £50M in investments (fair market value) in any person; any investment by parent or a restricted subsidiary resulting in the investment becoming a restricted subsidiary or the investment is merged into the parent or a restricted subsidiary of the parent; loans or advances to officers, directors, or employes made in ordinary course of business of the parent or any of its restricted subsidiaries in an amount not exceeding £5M		
Change of Control	101% Change of Control offer upon which any person other than the Principal (Malcolm Glazer) and/or any of its Related Parties (Glazer family), becomes the beneficial owner, directly or indirectly, of more than 50% of the voting stock of the parent, measured by voting power rather than the number of shares		

Source: Company reports.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Pro-forma capitalization

Table 13: Manchester United Pro Forma Capitalisation Summary*

At 31 December 2009 millions	Margin / Coupon	Maturity	Total Facility	Outstanding Amount (£)	Available Amount (£)	Obligor(s)	Guarantor	Security
Bank Facilities								
Alderly Facility	L+100bps	7-Oct-18	£8	£8	n/a	Alderley Urban Investments Limited	Manchester United Limited	Rental income from the Manchester International Freight Terminal; shortfall in rental income to be guaranteed by Manchester United Limited up to a maximum amount of £775,000
Revolving Credit Facility "1"[1] (Super priority)	L+350bps	29-Jan-16	£50	£0	£50	MU Finance Plc, Red Football Limited, Red Football Junior Limited, Manchester United Limited and Manchester United Football Club Limited	MU Finance Plc, Red Football Limited, Red Football Junior Limited, Manchester United Limited and Manchester United Football Club Limited and certain other members of the restricted Group	First-ranking lien over all of the shares in, and a first-ranking lien over substantially all of the property and assets of, the Issuer and the Guarantors
Revolving Credit Facility "2"[1] (Super priority)	L+350bps	29-Jan-16	£25	£0	£25			
Total bank facilities				£8	£75			
Senior Secured Notes								
£250m Sr Sec Notes[2]	8.750%	1-Feb-17	£250	£250	n/a	MU Finance Plc	Red Football Limited, Red Football Junior Limited, Manchester United Limited and Manchester United Football Club Limited	First-ranking lien over all of the shares in, and a first-ranking lien over substantially all of the property and assets of, the Issuer and the Guarantors
$425m Sr Sec Notes[3]	8.375%	1-Feb-17	$425	£262	n/a			
Total senior secured notes				£512	£0			
Total cash-pay debt				£520	£75			
PIK Notes[4]	14.250%	1-Aug-17	£138	£217	n/a	Red Football Joint Venture Limited	n/a	n/a
Total debt				£736	£75			
Cash[5]				£98				
Net Cash Pay Debt				£422				

Source: J.P. Morgan estimates, Company data.

* All the figures are pro-forma for the senior secured bond issues and new credit facility signed in January 2010

1. Margin on RCF, after 12 months from notes issue date (29th January 2010), will be 3.5% if total net leverage is >4.5, 3.25% if leverage is >4.0, 3.00% if leverage is >3.5, 2.75% if leverage is >3.0 and 2.50% if leverage is < 3.0. Commitment fee on available but undrawn amount of the facility is 35% of the applicable margin.

2. Optional redemption schedule for £250m Sr Sec Notes: Callable at 108.750% from 1-Feb-13, then at 104.375% from 1-Feb-14, then at 102.188% from 1-Feb-15, then at par after 1-Feb-16

3. Optional redemption schedule for $425m Sr Sec Notes: Callable at 108.375% from 1-Feb-13, then at 104.188% from 1-Feb-14, then at 102.094% from 1-Feb-15, then at par after 1-Feb-16. Outstanding amount in GBP is based on GBPUSD of 1.5062 (11th March 2010).

4. We note that the PIK is not an obligation of Red Football Limited. We have assumed PIK accrues one quarter of interest at 14.25% from the £209m reported by the company as of 30 September, 2009.

5. Adjusted to exclude £24m of cash for refinancing in January 2010

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

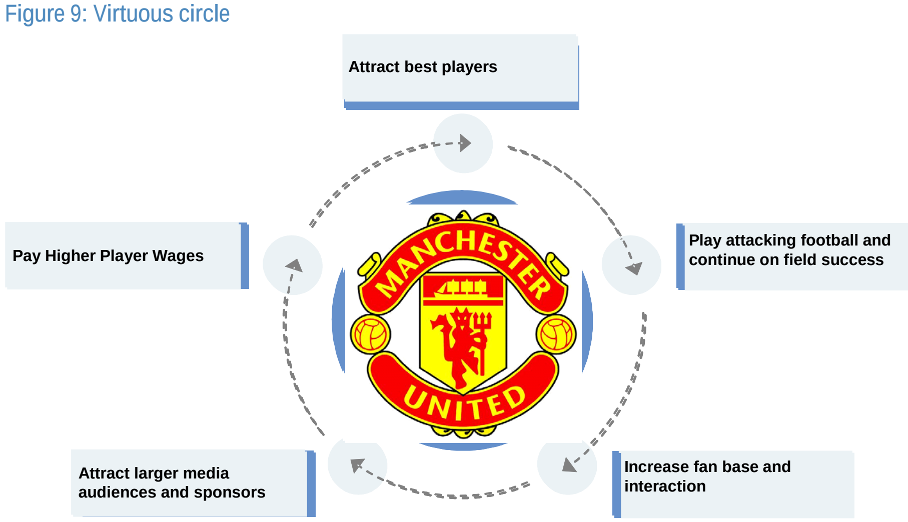
Appendix I: Company Overview

Manchester United was founded in 1878 under the name of Newton Heath LYR (Lancashire and Yorkshire Railway) and changed its name to Manchester United in April/May 1902. The club entered the Football League in 1892 and won its first League title in 1908. In total the club has won 18 English League titles; 11 FA Cups; 4 League Cups; and 3 European Cups. The club won its first English League title in 1908 and has won a total of 11 Premier League titles since its inception in 1992. Throughout its history the team has had several iconic players such as George Best, Bobby Charlton, Eric Cantona, David Beckham, Ryan Giggs, Roy Keane and Wayne Rooney. Manchester's home stadium Old Trafford celebrated its 100th birthday on 19 February 2010 and is considered one of the most atmospheric stadiums in Europe with the nickname "The Theatre of Dreams".

Manchester United was acquired by the Glazer family in 2005 for c. £831m (19.2x pro forma EBITDA). The Glazer family has investments in a range of industries (Real Estate, Retail, Food, Oil and Gas) through its family holding company, First Allied Corporation. In addition to Manchester United, the Glazer family also owns the Tampa Bay Buccaneers since 1995 which competes in the National Football League (NFL).

The virtuous cycle – Strategy

Figure 9: Virtuous circle



Source: Company reports.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Table 14: Manchester United – Strategic Overview

Current advantage	Strategy for maintaining the beneficial trend
Continue strong on-field success	■ MUFC prioritises the investment in top talent in order to build on successful legacy ■ Very experienced and successful on-field management ■ Develop prospective youth talent through the Academy programme ■ Discover potential players with talent scouting network ■ Focus on success in the Premier League and Champions League
Develop fan base	■ In addition to a strong domestic following, MUFC enjoys a wide international following ■ According to a TNS study, MUFC has a global fan base of 139m people and 333m followers world wide. ■ The club will use promotional tours and local sponsorship arrangements to increase its global visibility ■ MUFC will continue to develop its customer relationship programme and sees further opportunities to deepen fan engagement through its digital media assets
Expand commercial portfolio	■ MUFC has invested significant resources into a dedicated sales and marketing division to further leverage the Manchester United brand and explore commercial opportunities ■ The club's strong international brand and global fan base provides MUFC with unique opportunities to develop global and regional commercial partnerships
Increase Matchday revenues	■ MUFC targets near or full attendance for home games ■ The club views current ticket prices as good value relative to other clubs in the league ■ Opportunity for upselling some fans from single seat to multi-seat facilities and hospitality suites ■ Opportunities for yield enhancement through differential pricing of general admission seating
Maximise value of Media revenues	■ Continue to believe that significant value exists in live sports content based on demand for broadcasters, advertisers and customers ■ MUFC will continue to invest in its digital media assets (primarily manutd.com) and develop premium digital content for mobile devices (primarily through MUTV)

Source: Company reports.

Football – one of the world's most popular sports

Football is one of the world's most popular sports, with 2007/08 revenues of c. €14.6bn in Europe alone. The industry has enjoyed strong revenue growth (7% yoy in 2009) as rising domestic and international popularity and increased commercialization have led to higher attendance levels, increased the value of media rights and given rise to new revenue streams.

The Premier League

The Premier League (currently called Barclays Premier League) is comprised of the top 20 football teams in England and Wales. Manchester United has played in the league since its inception. The basic principles of the Premier League were signed on 17th July 1991 but the teams didn't resign from the Football League until February 1992. The Premier League's shareholders are the 20 participating clubs which meet once every quarter; the Football Association is a special shareholder with veto rights over the appointment of Chairman and Chief Executive and relegation and promotion of teams. In the Premier League all rule changes require the support of 14 of the 20 clubs voting at a general meeting.

Each team in the Premier League will meet each other in two games every season, one home and one away. The team that has the most points at the end of the season wins the title, each win is awarded three points and each draw is awarded one point. At the end of each season the bottom three teams will be relegated from the Premier League to the Championship League. Please see Table 15 for the current standings in the Premier League.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Table 15: Current standings in the Premier League

	Team	Played	Won	Draw	Goal Difference	Points
1	Manchester United	31	22	3	47	69
2	Chelsea	31	21	5	47	68
3	Arsenal	31	21	4	40	67
4	Tottenham Hotspur	30	16	7	26	55
5	Manchester City	30	14	11	16	53
6	Liverpool	31	15	6	18	51
7	Aston Villa	30	13	12	17	51
8	Everton	31	13	9	8	48
9	Birmingham City	31	12	8	-4	44
10	Fulham	30	10	8	-1	38
11	Blackburn Rovers	31	10	8	-16	38
12	Stoke City	30	8	12	-6	36
13	Sunderland	31	8	11	-6	35
14	Bolton Wanderers	31	8	8	-20	32
15	Wolverhampton Wanderers	31	8	7	-22	31
16	Wigan Athletic	31	8	7	-30	31
17	West Ham United	31	6	9	-16	27
18	Burnley	31	6	6	-33	24
19	Hull City	30	5	9	-35	24
20	Portsmouth	31	6	4	-30	13

Source: Company reports. Standings as at 25 March 2010.

The Football League

The 72 teams below the Premier League take part in the Football League. This is divided into three different leagues: Coca-Cola Championship, Coca-Cola League 1 and Coca-Cola League 2. Of these three the Championship League is the highest. The top two teams in the Championship League each year are automatically promoted to the Premier League and the teams that finish third to sixth hold a playoff for the third available spot in the Premier League.

Table 16: Football Clubs in the Different Leagues

Premier League	Championship League	League 1	League 2
Arsenal	Barnsley	Brentford	Accrington
Aston Villa	Blackpool	Brighton	Aldershot Town
Birmingham	Bristol City	Bristol Rovers	Barnet
Blackburn	Cardiff City	Carlisle	Bournemouth
Bolton	Coventry City	Charlton	Bradford City
Burnley	Crystal Palace	Colchester	Burton
Chelsea	Derby County	Exeter City	Bury
Everton	Doncaster	Gillingham	Cheltenham
Fulham	Ipswich Town	Hartlepool	Chesterfield
Hull City	Leicester City	Huddersfield	Crewe
Liverpool	Middlesbrough	Leeds United	Dagenham & R
Manchester City	Newcastle	Leyton Orient	Darlington
Manchester United	Nottingham Forest	Millwall	Grimsby Town
Portsmouth	Peterborough	MK Dons	Hereford
Stoke City	Plymouth	Norwich City	Lincoln City
Sunderland	Preston	Oldham	Macclesfield
Tottenham	QPR	Southampton	Morecambe
West Ham Utd	Reading	Southend	Northampton
Wigan Athletic	Scunthorpe	Stockport	Notts County
Wolves	Sheffield United	Swindon Town	Port Vale
	Sheffield Wed	Tranmere	Rochdale
	Swansea City	Walsall	Rotherham
	Watford	Wycombe	Shrewsbury
	WBA	Yeovil Town	Torquay United

Source: Company reports.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Domestic Cups

In addition to the domestic leagues there are also two domestic cups in England, the League Cup and the FA Cup. The League Cup is currently sponsored by Carling and called the Carling Cup. The competition is open to all teams in the Premier and Football Leagues. The tournament is played on a knock-out basis for the first five rounds while the final is played over one leg and the semi-final over two legs. Clubs that are playing in the Premier League enter the tournament in the second stage but teams that play European competition (Champions League or Europa League) enter in the third round. All draw matches (a part from the first leg of the semi final) are settled by extra time and if necessary penalty kicks.

The FA Cup is also open to all Premier and Football League clubs but also to eligible amateur clubs. The cup consists of six qualifying rounds followed by six further rounds, then semi-finals and the final. The teams competing in the Premier League joins the FA Cup in the third further round. The FA Cup is a knock-out competition where each round is played over one leg but if there is a draw in the qualifying or further round a replay game will be played at the away team's stadium. For the semi final and final there is no replay and the score will be determined by extra time and if necessary penalty kicks.

The Champions League

The UEFA Champions League is the top competition for European clubs. The competition starts in the summer with a qualifying round consisting of 3 rounds and a play-off round to get to the 10 teams which will join the 22 seeded teams in the group stage (round-robin group stage). The round-robin stage consists of 8 groups with 4 teams each which all meet in two games (one home and one away) for a total of six group matches. From the group stage the eight winners and eight runners up will go through to the round of 16 which marks the start of the knock-out tournament. In the knock-out tournament each match, a part from the final, is determined in two legs (one home and one away).

England can potentially have four teams in the Champions League. The top three from the Premier League are automatically qualified while the number four team goes through to the qualifying rounds. However, if the winner of the Champions League the previous season is an English team which did not qualify the current season it will take the fourth place and the fourth team in the Premier League will qualify for the Europa League instead.

The Europa League

The Europa League is the second tournament for European clubs arranged by the UEFA. England is allocated three teams into this tournament; the top team from the Premier League not qualifying for the Champions League, the winner of the FA Cup and the winner of the League Cup. If one of the teams qualifying for the Europa League has already qualified for the Champions League, the Champions League will take precedence. If the winner of the FA Cup has already qualified the FA Cup allocation will firstly go to the runner up in the FA Cup and secondly to the highest placed team in the Premier League not qualified for either of the European tournaments. If the winner of the League Cup has already qualified for Champions League the place in the Europa League goes to the best placed team in the Premier League that has not qualified for a European Cup. Teams knocked out of the Champions League at the group stages can also join the Europa League at different stages. The 15 losing teams from the Champions League qualifying round three will

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

enter in the last of four UEFA Europa League qualification rounds and the 10 clubs eliminated from the Champions League qualification round 4 will enter the UEFA Europa League group stage. In addition to this the eight third placed teams from the Champions League round-robin stage will join the 12 winners and 12 runners up in the round of 32 stage for the first knock out round.

Table 17: Winner of the different leagues and cups

	Premier League	FA Cup	League (Carling) Cup	Champions League	Europa League*
1993	Manchester United	Arsenal	Arsenal	Marseille	Juventus Turin
1994	Manchester United	Manchester United	Aston Villa	AC Milan	Inter Milan
1995	Blackburn	Everton	Liverpool	Ajax Amsterdam	Parma FC
1996	Manchester United	Manchester United	Aston Villa	Juventus Turin	Bayern Munchen
1997	Manchester United	Chelsea	Leicester	Borussia Dortmund	Schalke 04
1998	Arsenal	Arsenal	Chelsea	Real Madrid	Inter Milan
1999	Manchester United	Manchester United	Tottenham	Manchester United	Parma FC
2000	Manchester United	Chelsea	Leicester	Real Madrid	Galatasaray
2001	Manchester United	Liverpool	Liverpool	Bayern Munchen	Liverpool FC
2002	Arsenal	Arsenal	Blackburn Rovers	Real Madrid	Feyenoord Rotterdam
2003	Manchester United	Arsenal	Liverpool	AC Milan	FC Porto
2004	Arsenal	Manchester United	Middlesbrough	FC Porto	Valencia CF
2005	Chelsea	Arsenal	Chelsea	Liverpool FC	CSKA Moscow
2006	Chelsea	Liverpool	Manchester United	FC Barcelona	Sevilla FC
2007	Manchester United	Chelsea	Chelsea	AC Milan	Sevilla FC
2008	Manchester United	Portsmouth	Tottenham	Manchester United	Zenith Saint-Petersburg
2009	Manchester United	Chelsea	Manchester United	FC Barcelona	Shakhtar Donetsk
2010			Manchester United		

Source: Company reports. * Previously called the UEFA Cup.

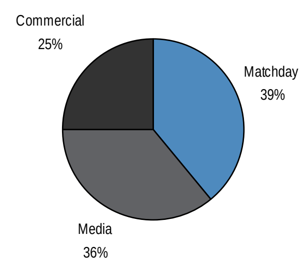
Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Appendix II: Revenue streams

Football clubs generate revenues in three broad ways: Matchday, Media and Commercial revenues. In figure 7 we outline MUFC's FY09 revenue breakout and our revenue expectations under our base case model through 2015. We note the changing revenue mix from FY09, which is attributed to the assumed step-down in on-field performance which begins in FY11 (under our base case assumptions) and the growth in Commercial and Media revenues.

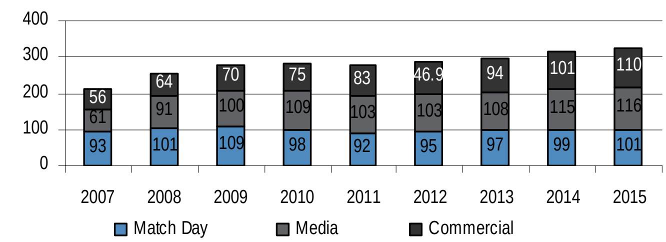
Figure 10: MUFC FY09 revenue breakout



Source: Company reports

Figure 11: MUFC base case revenue outlook

£m



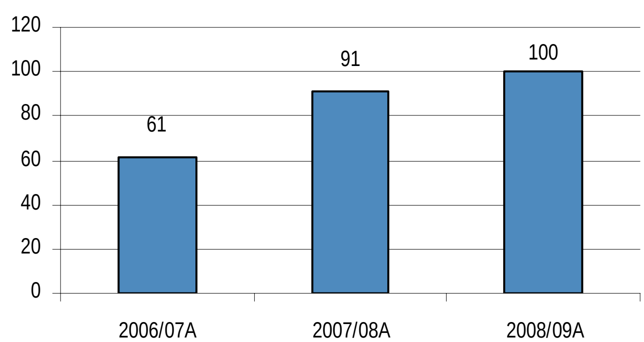
Source: Company reports and J.P. Morgan estimates

Media Revenues

Revenues in the Media segment are primarily generated by the sale of media rights, which for most leagues are negotiated centrally by the football league (Italy and Spain are the exceptions in Europe; Italy will return to collective selling from 2010/2011). Premier League and Champions League media rights are the most significant component of MUFC's media revenues. Broadcast rights have grown rapidly in recent years as European Pay-TV platforms have significantly increased penetration on the back of premium content, such as live football. The International Media rights have also shown significant growth as football's international fan base grows.

Figure 12: Media Revenues Evolution

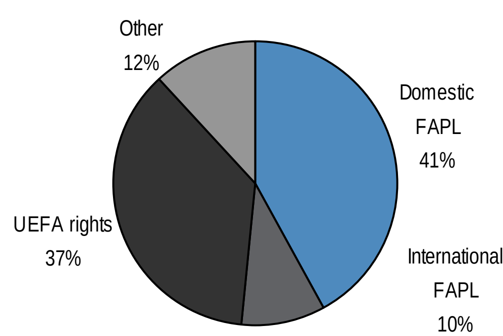
£ millions



Source: Company data.

Figure 13: Media Revenues - Breakdown in 2008/09A (total £99.7m)

%



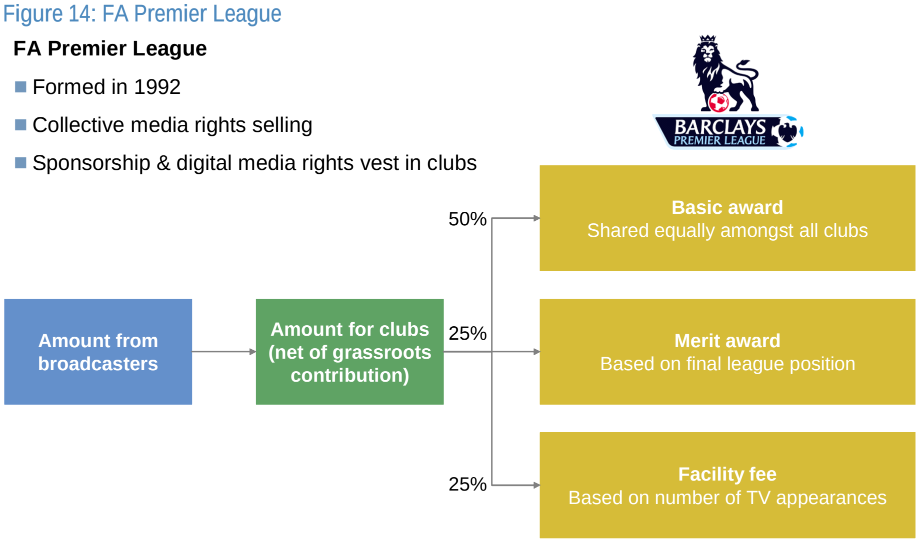
Source: Company data.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

The Premier League broadcasting rights are collectively negotiated on a domestic and international basis by the FAPL on behalf of the clubs and the proceeds are distributed by the FAPL. The current domestic FAPL contract is worth £1.8bn and ends this season. The contract for the three seasons ending 2012/13 is worth £2.1bn (of which the live media rights was c. £1.8bn). The amount paid by the broadcasters (net of grassroots contribution) is then paid out to the clubs based on a formula outlined in Figure 14. Broadly speaking, 50% is the basic award which is split equally between the different clubs (we note there are 'parachute payments' made to clubs recently relegated), 25% is a merit award which is determined based on the final league position and 25% is a facility fee where clubs get paid based on the number of TV performances. The basic award is partly paid in August before the new season begins, the merit award is usually distributed in May at the end of each season and the facility fee is usually paid in January each season and is based on the number of Premier League matches a team has participated in which has been televised live. A reduced fee is also paid out to clubs that played in games that are included in 'near-live' broadcasts. There is, however, a minimum payment to all clubs equivalent to that which would have been paid had they participated in 10 televised games. The net proceeds (after the deduction of certain expenses) of international broadcasting rights for the Premier League is divided in the same way as the domestic equal share rights with the overseas broadcasting rights normally being paid out monthly. Income from the radio broadcasting rights to the Premier League is shared equally between the clubs.

Figure 14: FA Premier League



Source: Company reports, FA

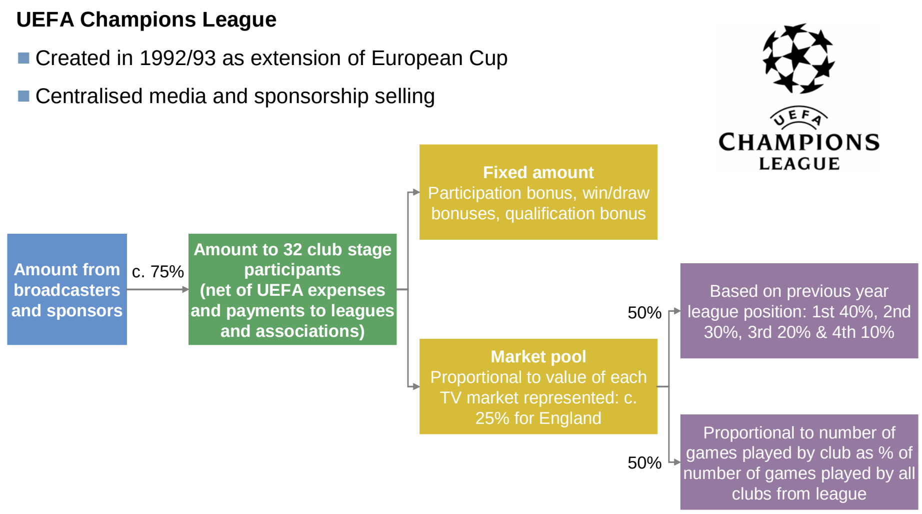
The Champions League media rights and sponsorship revenues are collectively negotiated by UEFA on behalf of the participating clubs. The current UCL media rights are c. €1.1bn for the three seasons through to 2011/12 and distributed according to Figure 15. Generally speaking, 75% of the revenue UEFA receives for the rights is distributed to the 32 clubs participating in the group stage. This is divided into a fixed pool and a market pool. The fixed pool is used to pay participation and performance bonuses based on performance in the group stage and reaching the knock-out stages. The market pool is allocated proportionately based on the size of each nation's TV market; of this c. 25% is allocated to England. Of the

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

market pool attributed to English clubs, 50% is distributed based on Premier League performance from the prior year (ie. 1st 40% of the pool, 2nd 30%, 3rd 20% and 4th 10%) and 50% is allocated proportionately to the number of UCL games played by each club as a percentage of the number of games played in the UCL games played by Premier League clubs.

Figure 15: UEFA Champions League



Source: Company reports, UEFA

Clubs participating in the group stage (final 32) receive bonuses of €800k for each win and €400k for each tie. Beyond the group stage, participating clubs receive prize money for each subsequent round reached. These sums are broken out below (along with the incremental home game played for each round).

Table 18: Prize money and home games played in UCL

€ in millions

Prize money	UEFA Prize money (€)	Home games
Qualification (final 32)	3.8	1
Participation in group stage	3.3	3
Round of 16	3.0	1
Quarter finalist	3.3	1
Semi-finalist	4.0	1
Runners up	5.2	0
Winner	9.0	0
Total	31.6	7

Source: Company reports.

The FA Cup broadcasting rights are distributed to the teams as a payment received for each televised game they participated in. For the 2008/09 season each televised game in the third and fourth round generated £0.2m and each game in the fifth and sixth rounds generated £0.3m. There IS no broadcasting income generated from the semi-finals and final. The potential prize money from the FA Cup is also allocated to media revenues and ranges from £750 up to a cumulative price of £3.8m for the winner.

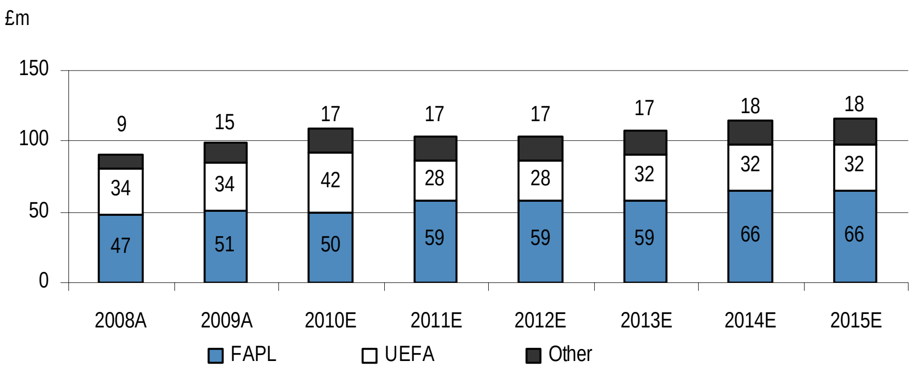
Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

In the League Cup for the 2008/09 season £0.1m was paid to each club for a televised game, excluding the final. The prize money for the cup that year was £100k to the winner, £50k to the runner up and £25k to each of the losing semi-finalists.

Our base case expectations for the division are broken out in Table 7. We note that UCL performance is the most significant swing factor for Media revenues. As noted above, we have modeled a conservative step down in on-field performance under our base case scenario, explaining the FY11 drop in revenues. We have modeled relatively conservative levels of media rights growth. Historical growth in international rights has been much stronger than our base-case assumptions for upcoming auctions.

Figure 16: MUFC base case Media revenue expectations



Source: Company reports and J.P. Morgan estimates.

Matchday revenues

Matchday revenues are primarily generated by seasonal tickets, general admission tickets, fan expenditure at the stadium as well as ancillary services such as catering, conferences and parking. Matchday revenues are primarily driven by the number of home games that the team plays, attendance at these games and ticket prices. MUFC's home ground, Old Trafford, is the largest club stadium in the UK with c.76k seats. The seats are divided into 54k season tickets, 8k executive hospitality seats, 3k seats for away fans and 9k general admission seats. General admission seating is only available to OneUnited members. Seasonal tickets (season tickets and executive hospitality) comprise c.80% of Old Trafford's capacity and are sold prior to the beginning of the Premier League season (cash received in Q4 and Q1).

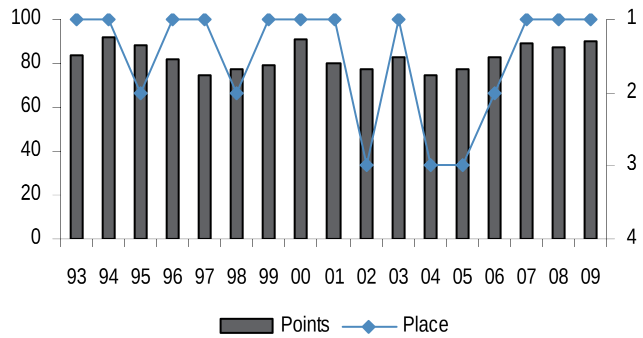
In FY09 Matchday revenues contributed c. 39% of Manchester United's total revenues and our expectation is that they will contribute 35% in FY10. Growth in recent years has come from ticket price increases (primarily from yield management) and a greater number of home games played in 2008/09.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Figure 17: Manchester United - Premier League Playing Performance

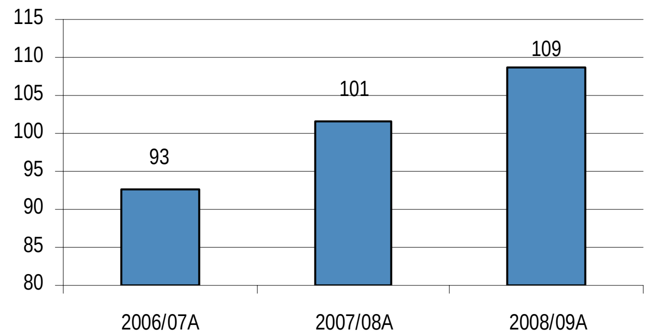
Points, Place



Source: Company data

Figure 18: Manchester United - Matchday Revenue Evolution

£ millions



Source: Company data.

We note that the FAPL revenues comprise the largest proportion of Matchday revenues due to the 19 home games played and all Executive hospitality revenues being attributed to FAPL. Executive Hospitality holders have access to all games played at Old Trafford (domestic cups, FAPL and UCL) in a given season. However these revenues are attributed to FAPL, as opposed to season ticket holders and general admission who are charged separately for the domestic cups and UCL matches and related revenues are attributed to domestic cup and UCL revenues.

The number of FAPL home games is predetermined with each team playing 19 home and 19 away games, irrespective of performance. In the UEFA Champions League the group stage consists of 3 home and 3 away games and in the following rounds there are one of each for the second round, quarter final and semi final. The final is played over one leg in a predetermined stadium. The two domestic cups have no determined number of home and away games; the team drawn first will be the home team and the final of both cups are played at Wembley Stadium.

The gate receipts in the Premier League games are kept by the home club, as it is the club in whose stadium the match is played it also bears all of the match-staging expenses. For the FA Cup the gross gate receipts are reduced by travel expenses for the visiting club and the fees and expenses of match officials and certain other expenses (excluding VAT) to get to the net gate receipts. The net gate receipts are then allocated as shown in Table 19.

Table 19: Gate Receipts of the FA Cup

%

Round	FA	FA Cup pool	Home club	Away club	Other
First and Second	0%	0%	50%	50%	0%
Replay First or second	5%	0%	47.5%	47.5%	0%
Third to Sixth	0%	10%	45%	45%	0%
Replay Third to Sixth	5%	10%	42.5%	42.5%	0%

Source: Company data.

For the semi final games in the FA Cup the net gate receipts are pooled and 5.5% is paid to local and other governing bodies affiliated to the FA. The remainder is divided between the FA (25%), the FA Cup pool (10%) and each of the four semi finalists (16.25% each). There are no additional gate receipts paid to the two teams competing in the final of the FA Cup.

Of the League Cup's gate receipts (excluding the semi finals and final) 45% goes to each team participating in the match and 10% to the League Cup pool. The League Cup pool is then divided 50/50 between the 20 teams in the Premier League and the 72 teams in the Football League. In the semi final and final rounds 6.3% of the gate receipts go to County Football Associations, the remainder is then divided 10% to the League Cup pool and 45% to each of the participating teams.

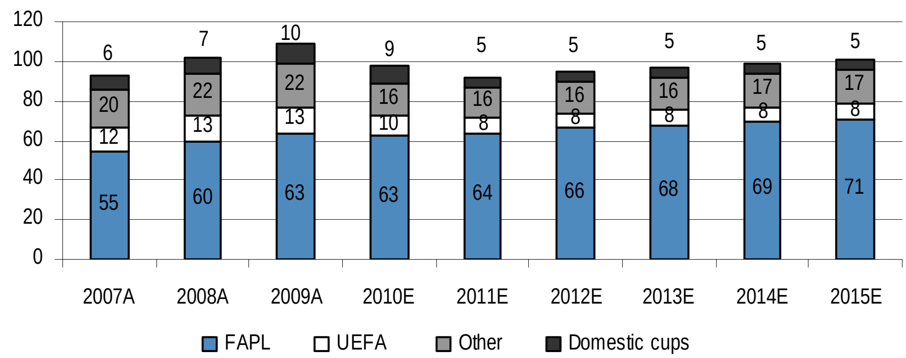
In the Champions League the home team keeps all of the gate receipts and bears all of the costs for the match. For the final the UEFA decides (before the final) on the final distribution between the two finalists, the host association (in accordance with the staging agreement) and the UEFA. The rules for the Europa League are the same as for the Champions League.

Manchester United tickets currently have a price range of £27-49 which compares favourably to Chelsea (£39-64) and Arsenal (£47-92). A season ticket costs between £513 and £931.

Our Matchday revenue expectations are detailed in Figure 19. The stepdown in revenues from FY10 to FY11 is explained by our on-field performance assumptions (see Table 7). From FY11, under our base case we assume 26 home games per year, a gradual increase in executive hospitality capacity utilisation (from c.85% in FY10) and RPI type price increases in ticket prices.

Figure 19: MUFC base case Matchday revenue

£ million



Source: Company reports and J.P. Morgan estimates.

Commercial revenues

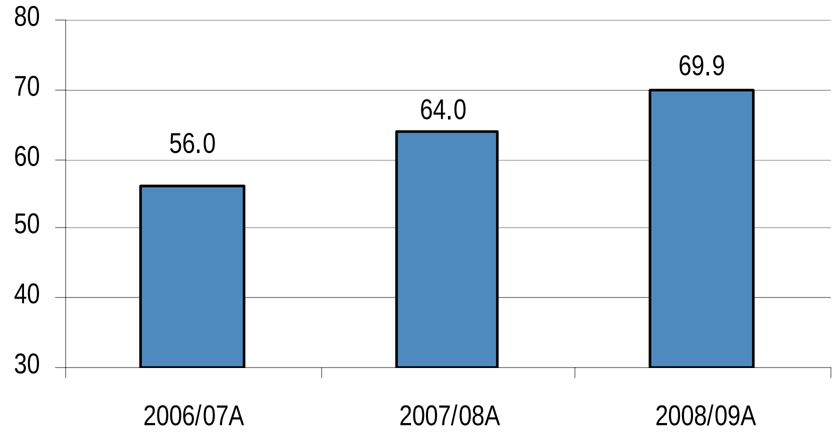
The commercial revenues consist primarily of sponsorship from global and regional partners, Museum admissions and Conferences at Old Trafford. Commercial revenues accounted for 25% of group revenues in FY09, we outline Commercial revenues in recent years in the figure below. We note that minimum sponsorship revenues are unrelated to on-field performance of MUFC.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Figure 20: Commercial Revenues Evolution

£ millions



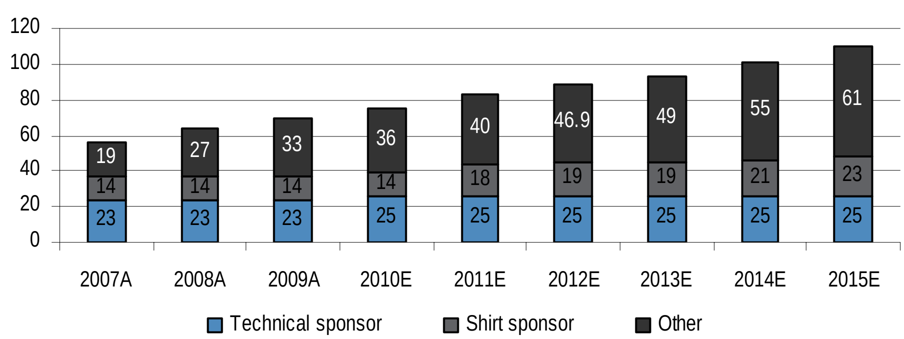
Source: Company data.

The two largest sponsorships are the shirt sponsorship and technical sponsorship with AON and Nike respectively. Nike is MUFC's technical partner; an agreement is in place through 2015, where MUFC will receive a minimum of £25.4m annually from the 2010/11 season onwards for sponsorship and licensing. We note that MUFC and Nike will also split profits (over and above sponsorship and licensing fees) from the merchandising, licensing and retail operations in 2014/15. MUFC signed AON as its new shirt sponsor, beginning in the 2010/11 season through 2013/14 season. MUFC will receive c.£20m annually from AON, which represents a significant step up from the current shirt sponsor, AIG who pays c.£14m per year and MUFC's prior sponsor Vodafone who paid £9m per season.

MUFC is seeking to further leverage its strong and internationally recognized brand by partnering with Global, Regional, Mobile and Supplier (Other) sponsorships. MUFC grew Other sponsorships by 23.7% and 33.6% in FY08 and FY09 respectively. On our base case scenario, we expect Other revenues to grow 15% YoY.

Figure 21: MUFC base case Commercial revenues

£ million



Source: J.P. Morgan estimates, Company data.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

Appendix III: First Team and Management

Table 20: Manchester United - First Team

Data as per 31 December 2009.

Player	Position	Nationality	Age	Apps	Caps
Edwin van der Sar	Goal Keeper	Dutch	39	198	130
Ben Foster	Goal Keeper	English	26	22	4
Tomasz Kuszczak	Goal Keeper	Polish	27	48	8
Gary Neville	Defence	English	34	582	85
Patrice Evra	Defence	French	28	172	22
Rio Ferdinand	Defence	English	31	318	76
Wes Brown	Defence	English	30	335	21
Nemanja Vidic	Defence	Serbian	28	171	44
John O'Shea	Defence	Irish	28	357	59
Fabio Pereira da Silva	Defence	Brazilian	19	10	0
Rafael Pereira da Silva	Defence	Brazilian	19	33	0
Jonny Evans	Defence	Northern Irish	21	49	19
Ritchie De Laet	Defence	Belgian	21	6	2
Owen Hargreaves	Midfield	English	28	37	42
Anderson Luis de Abreu Oliviera	Midfield	Brazilian	21	95	8
Ryan Giggs	Midfield	Welsh	36	822	64
Park Ji-Sung	Midfield	South Korean	28	134	84
Zoran Tosic	Midfield	Serbian	22	5	18
Michael Carrick	Midfield	English	28	170	17
Luis Carlos Alemida de Cuhna	Midfield	Portuguese	23	86	31
Paul Scholes	Midfield	English	35	622	66
Darren Fletcher	Midfield	Scottish	25	234	46
Antonio Valencia	Midfield	Ecuadorian	24	26	40
Darron Gibson	Midfield	Irish	22	25	5
Gabriel Obertan	Midfield	French	20	10	0
Michael Owen	Forward	English	30	23	89
Dimitar Berbatov	Forward	Bulgarian	28	65	76
Wayne Rooney	Forward	English	24	261	55
Danny Welbeck	Forward	English	19	23	0
Federic Macheda	Forward	Italian	18	10	0

Source: Company Data. The table includes only players with 5 or more appearances for the first team as at 31 December 2009.

Table 21: Manchester United - Current Management Team

Name	Position	Biography
Avram Glazer	Co Chairman	Currently is co-chairman of Manchester United Limited. He has worked as a vice president of First Allied Corporation and as president and chief executive officer of Zapata Corporation, a US public company. Mr. Glazer received a business degree from Washington University in St. Louis in 1982. He studied law at Beijing University and at Fudan University in Shanghai and received a law degree from American University, Washington College of Law in 1985
Joel Glazer	Co Chairman	Is Chairman of Red Football Limited and is the co-Chairman of Manchester United Limited. In 1995, he became the executive vice president of the Tampa Bay Buccaneers and now serves as co-Chairman. He has also worked as a vice president of First Allied Corporation, a US real estate investment company. Mr. Glazer graduated from American University in 1989
David Gill	CEO	Joined Manchester United Limited as Finance Director in 1997 and was appointed Managing Director and Chief Executive Officer in September 2003. On 2 June 2006, Mr. Gill was elected to the board of the FA, the governing body of association football in England. Additionally, Mr. Gill is a member of the board of the European Club Association, an organisation representing football clubs in Europe. His seat, along with the rest of the board, is up for re-election in 2010. Mr. Gill is also the vice chairman of UEFA's club competition committee. Mr. Gill received a Bachelor of Commerce degree from Birmingham University in 1978
Edward Woodward	Director, Chief of Staff	Was appointed Director and Chief of Staff in November 2005 and was elected to the board of directors of Manchester United Limited in December 2007. Mr. Woodward formerly worked as an investment banker with J.P. Morgan and joined Manchester United Limited in 2005 to manage our capital structure. Prior to joining J.P. Morgan Mr. Woodward worked for PricewaterhouseCoopers in the Accounting and Tax Advisory department. He received a Bachelor of Science degree in physics from Bristol University in 1993 and received his Chartered Accountancy qualification in 1996
Michael Bolingbroke	COO	Was appointed Chief Operating Officer in May 2007. Prior to joining Manchester United Limited, Mr. Bolingbroke was the Senior Vice President at Cirque du Soleil managing the profitability of shows in Las Vegas and Orlando, as well as the company's touring shows. Prior to joining Cirque du Soleil, Mr. Bolingbroke was the Senior Vice President of Operations at the Jim Henson Company. Mr. Bolingbroke received his Bachelor of Arts degree from Reading University in 1987 and a Master of Business Administrations from London Business School in 2001. He has been a member of the Institute of Chartered Accountants since 1990
Sir Alex Ferguson	Manager	Became the manager of our First Team in November 1986. Sir Alex Ferguson previously managed the East Stirlingshire, St. Mirren and Aberdeen football clubs. He also managed the Scotland national football team. Having been our manager for 23 years makes Sir Alex Ferguson the second-longest serving manager in our history and the longest of all the current Premier League managers
Richard Arnold	Commercial Director	Appointed Commercial Director in November 2007. Mr. Arnold was previously responsible for international sales and marketing division of Intervoice GmbH He was appointed to the board of MUML on 16 December 2008 and to the board of MUTV on 19 January 2009

Source: Company Data.

Table 22: Manchester United's potential game schedule for the rest of the 2009/10 season

Date	Versus	Home/Away	Competition
27-Mar-10	Bolton Wanderers	Away	PL
30-Mar-10	Bayern Munchen	Away	CL
03-Apr-10	Chelsea	Home	PL
07-Apr-10	Bayern Munchen	Home	CL
10-Apr-10	Blackburn Rovers	Away	PL
17-Apr-10	Manchester City	Away	PL
21-Apr-10	*Semi-final 1st leg*		*CL*
24-Apr-10	Tottenham Hotspurs	Home	PL
28-Apr-10	*Semi-final 2nd leg*		*CL*
01-May-10	Sunderland	Away	PL
09-May-10	Stoke City	Home	PL
22-May-10	*Final*	*Madrid*	*CL*

Source: Company data. Games in italics are not certain and will only happen if Manchester United progresses in the Champions League.

Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

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Andrew Webb
(44-20) 7777-0450
andrew.x.webb@jpmorgan.com

Michael Pace
(1-212) 270-6530
michael.pace@jpmorgan.com

JP Morgan European Credit Research

Head of European Credit Research & Strategy
Stephen Dulake
www.morganmarkets.com/analyst/stephendulake
125 London Wall
6th Floor
London EC2Y 5AJ

Team Assistant
Laura Hayes
(44 20) 7777-2280
laura.x.hayes@jpmorgan.com

High Grade and High Yield Research Groups

General Industrials

Nachu Nachiappan, CFA
(44-20) 7325-6823
nachu.nachiappan@jpmorgan.com
www.morganmarkets.com/analyst/nachunachiappan

Nitin Dias, CFA
(44-20) 7325-4760
nitin.a.dias@jpmorgan.com
www.morganmarkets.com/analyst/nitindias

Ritasha Gupta
(44-20) 7777-1089
ritasha.x.gupta@jpmorgan.com
www.morganmarkets.com/analyst/ritashagupta

Danielle Ward
(44-20) 7742-7344
danielle.x.ward@jpmorgan.com
www.morganmarkets.com/analyst/danielleward

Support Analyst
Nirav Bhatt
nirav.x.bhatt@jpmorgan.com

Energy and Infrastructure

Olek Keenan, CFA
(44-20) 7777-0017
olek.keenan@jpmorgan.com
www.morganmarkets.com/analyst/olekkeenan

Ryan Staszewski
(44-20) 7777-1981
ryan.m.staszewski@jpmorgan.com
www.morganmarkets.com/analyst/ryanstaszewski

Financials

Roberto Henriques, CFA
(44-20) 7777-4506
roberto.henriques@jpmorgan.com
www.morganmarkets.com/analyst/robertohenriques

Christian Leukers, CFA
(44 20) 7325-0949
christian.leukers@jpmorgan.com
www.morganmarkets.com/analyst/christianleukers

Emerging Market Corporates

Victoria Miles
(44-20) 7777-3582
victoria.miles@jpmorgan.com
www.morganmarkets.com/analyst/victoriamiles

Allison Bellows Tiernan, CFA
(44 20) 7777-3843
allison.bellows@jpmorgan.com
www.morganmarkets.com/analyst/allisonbellowstiernan

Zafar Nazim
(44-20) 7777-9132
zafar.nazim@jpmorgan.com
www.morganmarkets.com/analyst/zafarnazim

Nikolay Zhukovsky, PhD
(44-20) 7777-3475
nikolay.x.zhukovsky@jpmorgan.com
www.morganmarkets.com/analyst/nikolayzhukovsky

Credit Strategy

Stephen Dulake
(44-20) 7325-5454
stephen.dulake@jpmorgan.com
www.morganmarkets.com/analyst/stephendulake

Daniel Lamy
(44-20) 7777-1875
daniel.lamy@jpmorgan.com
www.morganmarkets.com/analyst/daniellamy

Tina Zhang
(44-20) 7777-1260
tina.t.zhang@jpmorgan.com
www.morganmarkets.com/analyst/tinazhang

Autos & General Industrials

Stephanie Renegar
(44-20) 7325-3686
stephanie.a.renegar@jpmorgan.com
www.morganmarkets.com/analyst/stephanierenegar

Support Analyst
Nirav Bhatt
nirav.x.bhatt@jpmorgan.com

Consumer & Retail

Katie Ruci
(44-20) 7325-4075
alketa.ruci@jpmorgan.com
www.morganmarkets.com/analyst/katieruci

Raman Singla
(44-20) 7777-0350
raman.d.singla@jpmorgan.com
www.morganmarkets.com/analyst/ramansingla

ABS & Structured Products

Rishad Ahluwalia
(44-20) 7777-1045
rishad.ahluwalia@jpmorgan.com
www.morganmarkets.com/analyst/rishadahluwalia

Gareth Davies, CFA
(44-20) 7325-7283
gareth.davies@jpmorgan.com
www.morganmarkets.com/analyst/garethdavies

Support Analyst
Advait Joshi
advait.s.joshi@jpmorgan.com

Credit Derivatives & Quantitative Research

Saul Doctor
(44-20) 7325-3699
saul.doctor@jpmorgan.com
www.morganmarkets.com/analyst/sauldoctor

Abel Elizalde
(44-20) 7742-7829
abel.elizalde@jpmorgan.com
www.morganmarkets.com/analyst/abelelizalde

Support Analyst
Harpreet Singh
harpreet.x.singh@jpmorgan.com

TMT – Telecoms/Cable, Media & Technology

David Caldana, CFA
(44-20) 7777 1737
david.caldana@jpmorgan.com
www.morganmarkets.com/analyst/davidcaldana

Andrew Webb
(44-20) 7777 0450
andrew.x.webb@jpmorgan.com
www.morganmarkets.com/analyst/andrewwebb

Malin Hedman
(44-20) 7325 9353
malin.b.hedman@jpmorgan.com
www.morganmarkets.com/analyst/malinhedman

Support Analyst
Amir Kumar
amir.x.kumar@jpmorgan.com

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