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TAVERNS

Punch Taverns plc

2007 Interim Results

1 May 2007

Highlights

- Continued growth and strong operational performance
- Active programme of business improvement
- Significant increase in quality of estate
- Well placed to drive shareholder value

Results Highlights

Revenue	£921m	up	49%
EBITDA	£340m	up	26%
Profit before tax	£130m	up	12%
EPS	38.5p	up	10%
Dividend	5.1p	up	16%

Figures exclude exceptional items

Profit before tax shown before profit on asset sales

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FINANCIAL REVIEW

Financial Review

- Results cover 28 weeks to 3 March 2007
- Seasonality means profits weighted towards second half
- Results benefit from major acquisitions
 - full contribution from Spirit Group, acquired 5 January 2006
 - 24 week contribution from Mill House Inns, acquired 14 September 2006
- No impact from recently announced disposal or Matthew Clark JV

Strong Earnings Growth

£m	<u>Leased</u>	<u>Managed</u>	<u>Group</u>	<u>growth</u>
Revenue	440	481	921	49%
EBITDA	249	91	340	26%
Depreciation, amortisation	(9)	(20)	(29)	
Interest			(180)	
Profit before tax			130	12%
Profit on asset sales			2	
Tax			(30)	
Net Profit			102	13%
Basic EPS			38.5p	10%

Excluding exceptional items

Profit before tax shown before profit on asset sales

Evolving Pub Estate

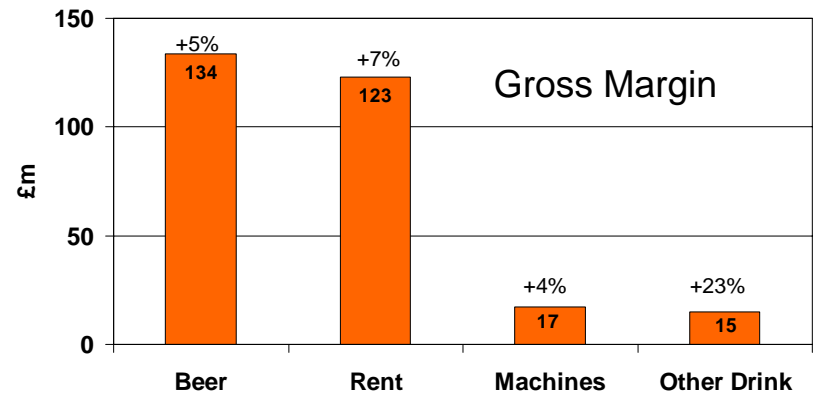
	<u>Leased</u>	<u>Managed</u>	<u>Total</u>
August 2006	7,846	1,410	9,256
Acquisitions	50	82	132
Lease conversions	260	(260)	
Disposals	(37)	(47)	(84)
March 2007	8,119	1,185	9,304
<i>net change</i>	3%	-16%	1%
Average estate size	7,993	1,319	9,312
<i>decrease on last year</i>	-1%		

- Lease conversions totalled 334 by 3 March (including 74 last year)
 - 519 conversions agreed by 23 April
- Further sale of 869 leased pubs to Admiral Taverns announced on 19 April for completion in May 2007

Profit Growth in the Leased Estate

28 weeks to 3 March 2007	<u>Total</u>	<u>growth</u>
Average number of pubs	7,993	-1%
£m		
Revenue:		
Beer	260	2%
Rent	123	7%
Machine income	17	4%
Other drinks	40	11%
Total revenue	440	4%
Gross margin	289	7%
Costs	(40)	-3%
EBITDA	249	7%

- Margin 56% (54% last year)
- 8% growth in annualised EBITDA per pub
- 3.1% like for like profit growth post pub disposals

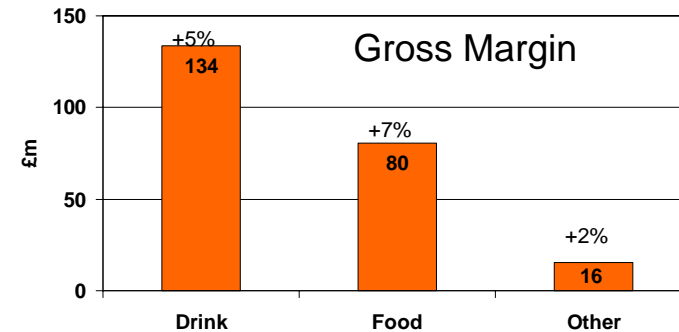


Growth measured against last year excluding GRS Inns, sold June 2006

Profit Growth in the Managed Estate

£m	Spirit core managed	growth	Mill House Inns (24 wks)	Transition estate	Total
Ending No. of Pubs	684		81	420	1,185
Drink	178	4%	11	108	297
Food	124	7%	8	22	154
Other	16	2%	3	12	31
Total revenue	317	5%	22	142	481
Gross margin	230	5%	17	104	350
Pub costs	(130)	-8%	(11)	(64)	(206)
Rent payable	(16)	-4%	(1)	(8)	(25)
Outlet EBITDA	83	2%	5	31	119
Central overheads					(28)
EBITDA					91

- Like for like core estate growth:
 - Revenue growth +4.9%
 - Pub profit growth +2.2%



Cash Generation and Investment

£m	<u>2007 H1</u>	<u>Last 12 months</u>
EBITDA	340	677
Working capital, provisions, etc	(99)	(21)
Pension top up contributions	(0)	(34)
Tax paid	(11)	(22)
Cash generation	229	600
Investment - Leased	(58)	(111)
Investment - Managed	(43)	(73)
Acquisitions	(75)	(105)
Disposals	60	677
Cash generated pre funding	113	988
Interest	(174)	(356)
Dividends	(24)	(35)
Financing	(112)	(679)
Net Use of Cash	(197)	(83)

- Seasonal working capital outflow
- Low cash tax
- Significant investment
- Acquisition of Mill House Inns totalled £164m
- Interest covered 1.95x

Strong Balance Sheet

£m	<u>March 2007</u>	<u>August 2006</u>	
Fixed assets	6,927	6,698	● 94% of estate freehold or long lease
Goodwill	558	503	● Sophisticated debt structure
Working capital	(246)	(341)	● Minor refinancing planned:
Non current liabilities, provisions	(415)	(372)	● Avebury structure to be redeemed
Cash	365	562	● REIT options under review
Debt	(5,649)	(5,624)	
Net assets	1,540	1,427	
<i>Net debt</i>	<i>5,284</i>	<i>5,062</i>	

Debt now includes derivative financial instruments

Accounting Points

- Non-recurring and exceptional items
 - £15m expenditure on reorganisation of Spirit Group
 - £22m net reduction in property provisions
 - £1m charge on interest rate swaps
 - £6m net tax credit
- Taxation
 - Effective tax charge 23% due to indexation of acquired asset base costs
 - Cash tax of £11m due to capital allowances and brought forward losses
 - Proposed change in corporation tax rate from 30% to 28% not yet recognised in accounts
- Acquisition accounting
 - Goodwill on Spirit acquisition increased by £34m to £269m following finalisation of acquired tax accounts
 - £20m goodwill on Mill House acquisition

Financial Review Summary

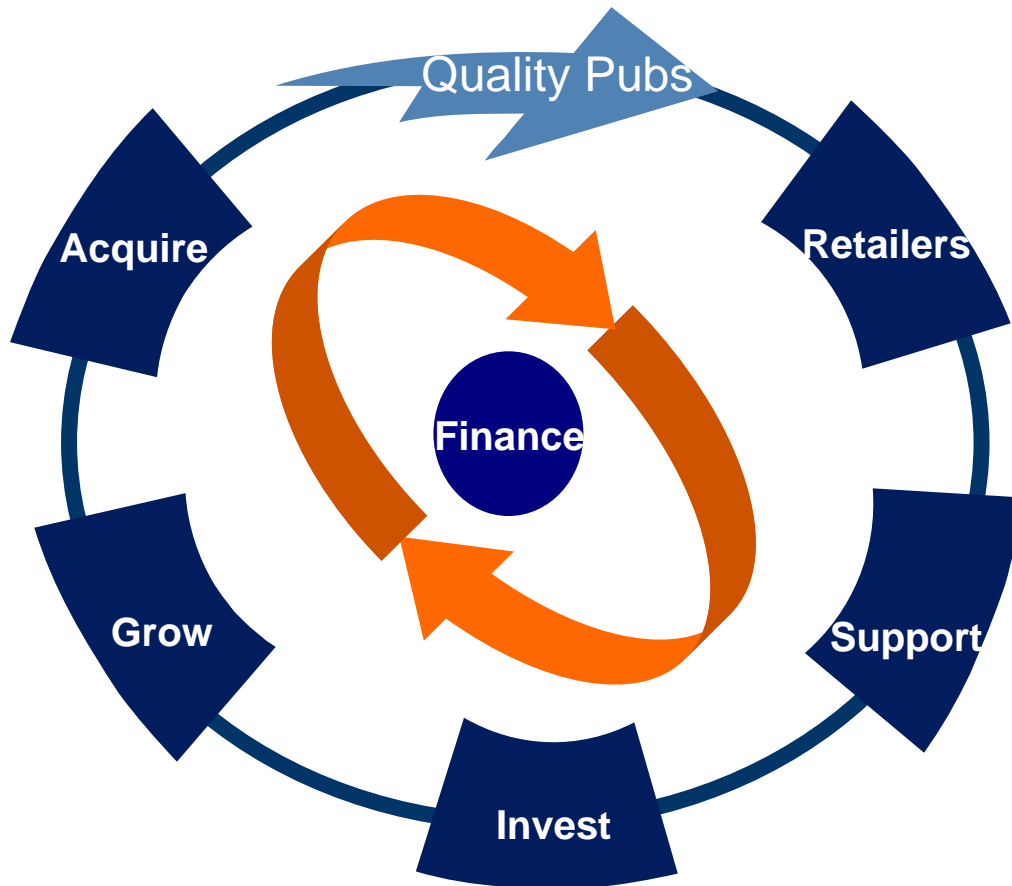
- Continued earnings growth in both estates
- Cash generation with continued investment
- Effective leverage with low tax charge
- Well placed to consider all opportunities

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Business Review

Business Review



- **Leased pubs**

- Independently operated smaller pubs attracting entrepreneurial flair
- Active support structure geared to encourage profitability and growth

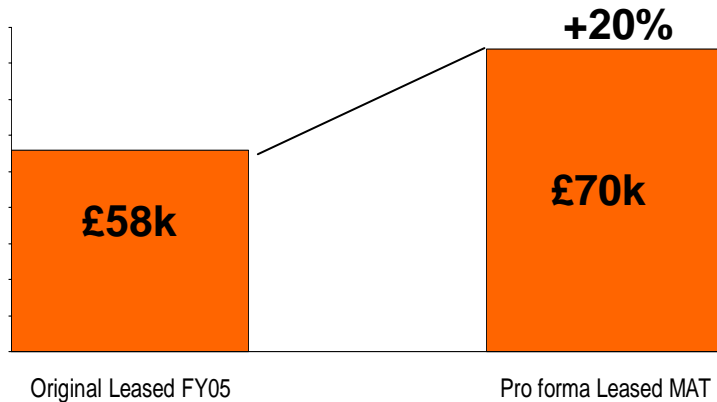
- **Managed pubs**

- Directly managed larger pubs benefiting from consistency and best practice
- Great pubs and great people

- Scale and quality
- Suitably financed

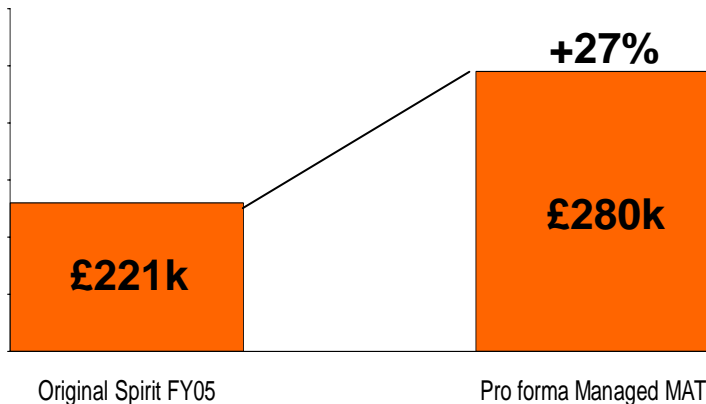
Creating the Highest Quality Estates

Leased Outlet EBITDAR per pub



- Leased estate quality improved over the last 18 months by:
 - 334 completed transfers
 - 1,457 disposals including the recent package sale to Admiral Taverns
 - Organic growth
- and will be further improved by the remaining transfers

Managed Outlet EBITDAR per pub



- Core managed estate is of substantially higher quality than the original Spirit estate due to:
 - Acquisition of Mill House Inns
 - Disposals
 - Transfers to lease
 - Organic growth

High Quality Leased Estate

- **Strong leased performance underpinned by unprecedented levels of activity in first half year**
 - 818 lettings including 260 transfers from managed
 - 571 developments completed at cost of £46m generating 21% ROI
 - 50 individual acquisitions - £36m spend with ROI of 11%
 - 308 rent reviews with average rental uplift of 7%
 - 906 disposals including the package to be sold to Admiral Taverns in May 2007
 - 6,962 retailer training days achieving 3 industry training awards (NITA)
 - 66% of pubs now on long term agreements
- **Direct indicators of retailer profitability are strong**
 - Average retailer profitability is c£36k, up 2.6% on an underlying basis and will further improve as the mix of the estate changes
 - Applicant numbers have averaged 142 per week
 - Overdue debt is low and falling
 - Rent concessions of £2.9m are steady at c1% of rent roll

Top Quality Core Managed Estate

- **Training**
 - National Training Academy launched in February
 - 180 pub managers will graduate this year
- **Customer Offer**
 - Food focus – food represents 39% of H1 sales:
 - Flexible Service now fully rolled out in Chef and Brewer
 - Retail price and menu engineering in Value Food
 - Customer service measures up 1.9%
 - +2.5% in “Clean & Cared For”; +3.9% in “Great Service”
 - 219 pubs now Cask Marque accredited
 - Wacky Warehouse - Best Children’s Party Venue 2007
- **Investments**
 - £21m invested in growth concepts
- **Acquisitions**
 - 78 Mill House Inns pubs integrated, 4 now sold
 - 20 on track for investment in next 6 months, 34 next year



Four Focused Managed Segments

Four segments enable us to streamline operations, menus and pub services

	Value Food	Quality Food	City	Locals
Total no. of pubs	185	145	179	253
Mill House Inns	33	11	10	24
Average Sales per week	£20k	£20k	£15k	£13k
Profit Conversion	28%	29%	40%	37%
Food Sales %	54%	59%	23%	19%
Average food spend	£7	£11	£8	£6
				

Trade Evolving with the Smoking Ban

- Experience in Scotland
 - Ban now established 12 months
 - Compliance good, quality of pubs increased, some initial impact on sales
 - Leased estate like for like profit down 1.3%
 - Over 85% of estate trading at or above English performance metrics
 - Managed estate like for like sales down 1.6%
 - Food sales up 2.7%
 - Difficult trading period through winter, recovery signs now evident
- Preparation in Wales and England
 - Wales ban commenced 2 April. England ban from 1 July
 - Easier territory than Scotland – property type, planning, weather
 - Action plan focused on attracting new customers as well as retention
 - No Action No Option

Developing the Business

- 869 leased pubs sold to Admiral Taverns for £326m
 - 60% of the package came from the bottom two profit deciles
 - Average outlet profit £35k per pub
 - Disposal multiple of 10.8x outlet EBITDA
- Matthew Clark joint venture
 - Matthew Clark is UK's largest independent drinks wholesaler and distributor with wide product range and sales expertise
 - Normalised EBITDA of £15m with experienced management team
 - Punch investment £35m for 50% ownership with Constellation Europe
 - Earnings enhancing
 - Opportunity to extend our range of goods and services to leased retailers, and drive synergy benefits through purchasing contracts

Summary

- A period of unprecedented activity
- Significant quality improvement across our portfolio
- Continued growth
- Prepared and well placed for future growth

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Appendices

Leased Estate Profit Contribution

28 weeks to 3 March 2007 £m	<u>Original</u>	<u>growth</u>	<u>Conversions</u>	<u>Total</u>	<u>growth</u>
Average number of pubs	7,787	-3%	206	7,993	-1%
Revenue:					
Beer	247	-3%	13	260	2%
Rent	116	1%	7	123	7%
Machine income	16	-4%	1	17	4%
Other drinks	37	3%	3	40	11%
Total	416	-2%	24	440	4%
Gross margin					
Beer	127	-1%	7	134	5%
Rent	116	1%	7	123	7%
Machine income	16	-4%	1	17	4%
Other drinks	14	16%	1	15	23%
Total	273	1%	16	289	7%
Rent Payable	-2	14%	-1	-3	-25%
Other Costs	-36	-1%	-1	-37	-2%
EBITDA	235	1%	14	249	7%
<i>Margin</i>	<i>56%</i>		<i>57%</i>	<i>56%</i>	
<i>Annualised EBITDA per pub</i>	<i>£56k</i>	<i>5%</i>	<i>£126k</i>	<i>£58k</i>	<i>8%</i>

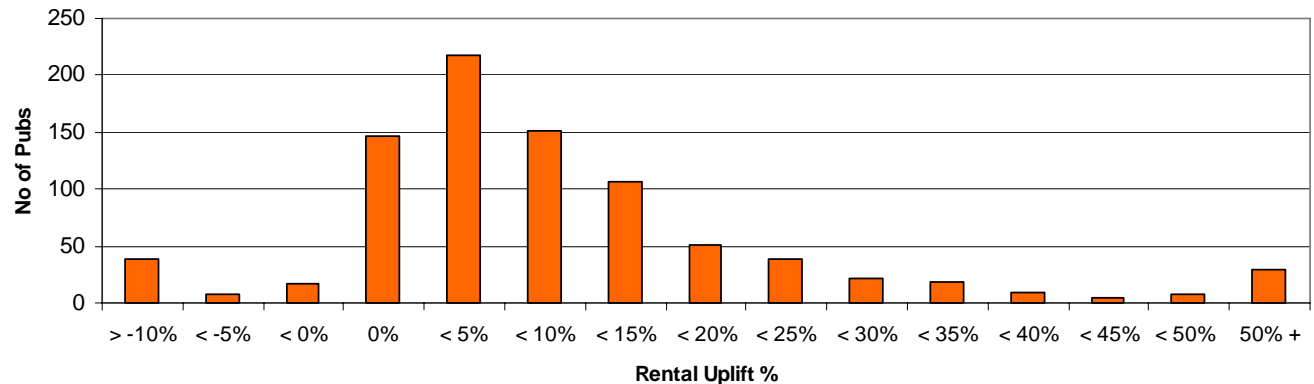
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Interim Results 2007

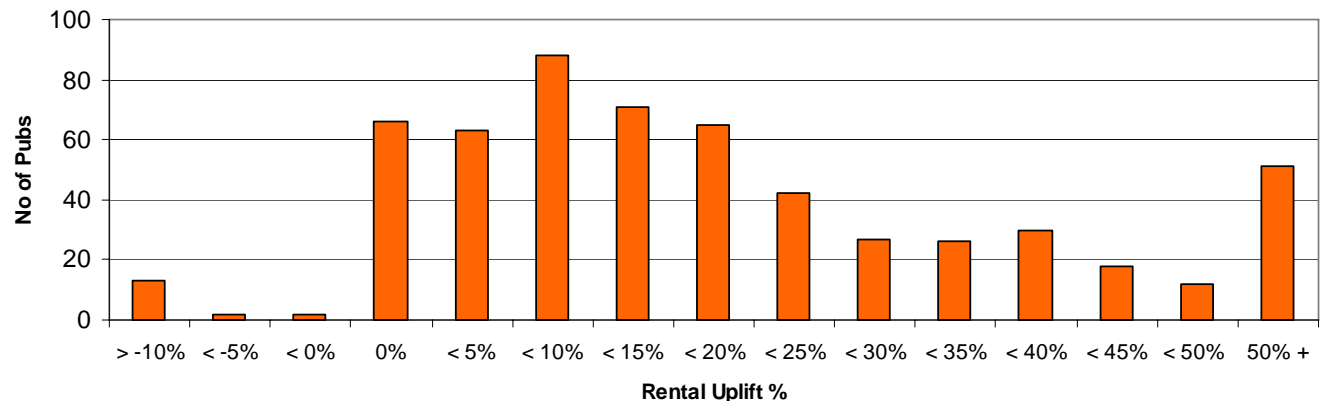
Agreeing Fair Maintainable Rents

- Rent is assessed on the estimated fair maintainable retail profit of the individual pub
- Rent is negotiated and agreed with the retailer
- There are a wide spread of uplifts achieved demonstrating this "individual" pub approach
- 2007 HY, 308 rent reviews have been agreed at an average uplift of 7%. 202 new rents have been agreed on lease renewal at an average uplift of 17%.
- In exceptional difficulties, rent concessions are granted. At the half year 2007 there were 199 concessions, with annualised rental value of £2.9m.

Completed Rent Reviews
2006 FY and 2007HY-
Rental uplift achieved



Completed Lease Renewals
2006 FY and 2007HY
- Rental uplift achieved



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Smoking Support to Retailers

HELPING RETAILERS BUILD BETTER BUSINESSES

NO ACTION, NO OPTION Smoking Ban 1st July 2007

WHICH OF THESE WILL YOUR PUB LOOK LIKE ON 1st JULY?

ARE YOU READY FOR THE BAN?

Punch Taverns, Jubilee House, Second Avenue, Burton upon Trent, DE14 2WF, 01283 501 600

SMOKING BAN ENGLAND 1st July 2007

NO ACTION, NO OPTION

SMOKING BAN WALES 2nd April 2007



NO ACTION, NO OPTION Smoking Ban

NO ACTION, NO OPTION Page 1 Smoking Ban

COUNTDOWN TO THE BAN
WALES: 4 WEEKS TO THE BAN, 2 APRIL 2007
ENGLAND: 17 WEEKS TO THE BAN, 1 JULY 2007

NATIONAL NO SMOKING DAY

EVERYTHING YOU NEED - DELIVERED TO YOUR DOOR

LEGISLATION UPDATE WALES

LEGISLATION UPDATE ENGLAND

DEALING WITH THE BAN

YOUR GUIDE TO THE ACT, STAFF TRAINING AND ENFORCEMENT.

DEALING WITH THE BAN

YOUR GUIDE TO THE ACT, STAFF TRAINING AND ENFORCEMENT.

NO ACTION, NO OPTION

MAKE A Smoking Ban ACTION PLAN

See inside for:

- OPPORTUNITIES
- MAKING AN ACTION PLAN
- HINTS AND TIPS
- EVERYTHING YOU NEED FOR YOUR OUTDOOR AREA
- SIGNAGE AND ACCESSORIES

SIMPLE BUT EFFECTIVE SOLUTIONS

All Year Round - Fixed Canopy

Description: Fixed Roof Structure, External Feature Lighting & Heating

Who Pays for what?
 RETAILER: Heat & Lighting, Ashtrays
 WHO PAYS FOR WHAT? PUNCH: Fixed Roof Structure, Wiring / Installation

All Year Round - Retractable Awning

Description: Retractable Awning, Down Lighters & Heating, Possible combination with windbreakers, Wall Mounted Ashtrays

Who Pays for what?
 RETAILER: Retractable Awning, Heating & Lighting, Louvre F&F
 WHO PAYS FOR WHAT? PUNCH: The Awning

Seasonal - "Fair Weather Jumbrella"

Description: Jumbrella, Integral Heating & Lighting, Louvre / Floor Seating

Who Pays for what?
 RETAILER: Jumbrella, Heating & Lighting, Louvre F&F
 WHO PAYS FOR WHAT? PUNCH: Wiring / Installation, Permanent Jumbrella Base (only when converted into ground)

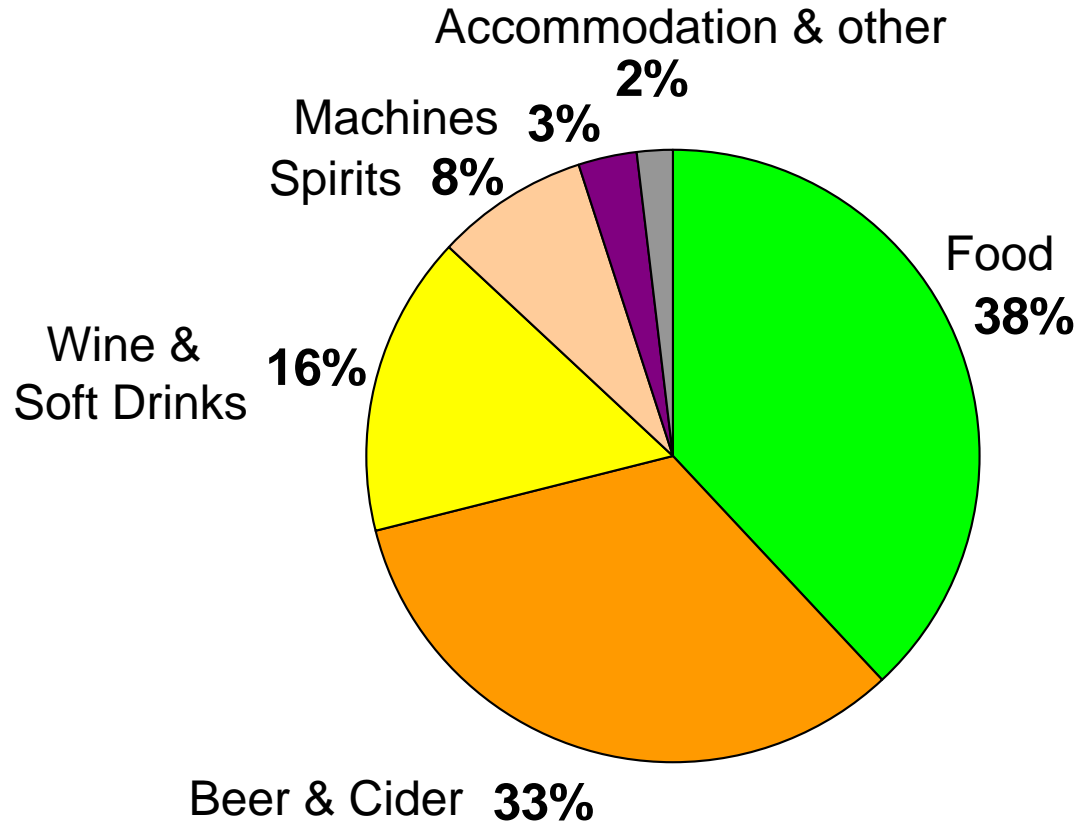


Managed Estate Profit Contribution

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Average No. of Pubs	684		70	565	1,319
Drink	178	4%	11	108	297
Food	124	7%	8	22	154
Machines income	8	-4%	1	9	18
Other	7	9%	2	4	13
Total revenue	317	5%	22	142	481
Drink	134	5%	9	79	221
Food	80	7%	5	13	98
Machines	8	-4%	1	9	18
Other	7	9%	2	4	13
Gross margin	230	5%	17	104	350
Labour costs	(83)	-5%	(6)	(37)	(127)
Utilities	(12)	-39%	(1)	(7)	(20)
Other pub costs	(35)	-7%	(4)	(20)	(59)
Rent payable	(16)	-4%	(1)	(8)	(25)
Outlet EBITDA	83	2%	5	31	119

Spirit core managed estate represents the managed houses to be retained as managed

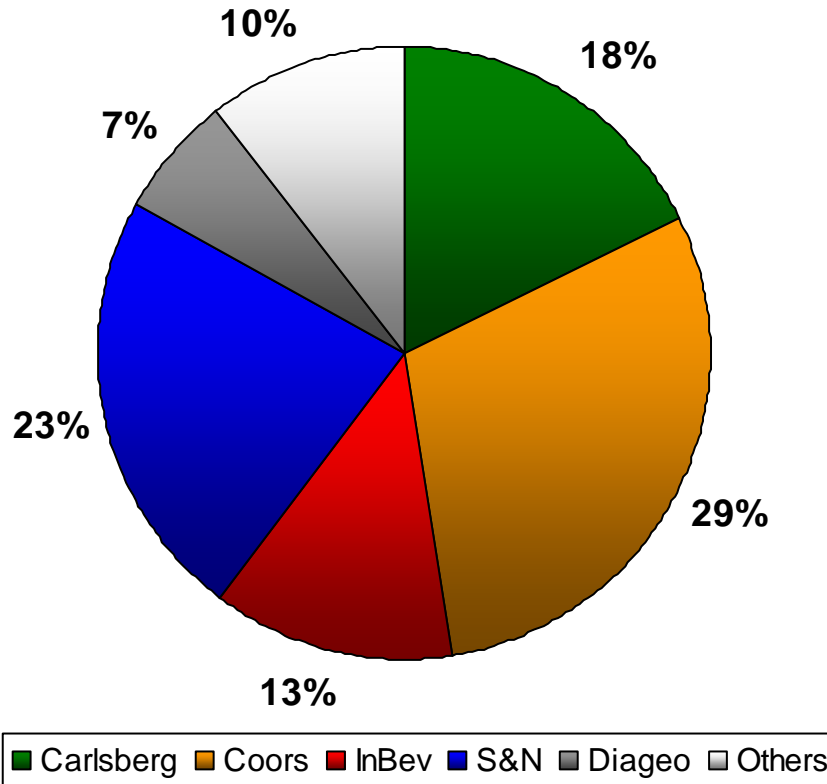
Core Managed Sales Mix



Well positioned to capitalise on consumer expenditure growth in eating out

MAT Sales in the core managed estate

Beer Supply Mix



Recent deals agreed with :

- Carlsberg
- InBev
- Scottish & Newcastle

Beer mix by supplier (MAT to March 2007)

Efficient Debt Structure

	Nominal Value £m	Effective Interest Rate
Securitised debt		
Punch A	1,745	7.2%
Punch B	1,249	6.2%
Avebury	104	7.8%
Spirit	1,250	6.6%
Total	<u>4,347</u>	6.8%
Bank debt	674	6.6%
Convertible bonds	275	6.3%
Nominal Value	<u>5,296</u>	6.7%
Finance lease obligations	24	
Fair value adjustment	328	
Gross Debt	<u>5,649</u>	

- All debt is at fixed rates
- Securitised debt is investment grade and fully repaid over terms to 2035
- Bank finance includes remaining Spirit acquisition debt and Mill House facilities
- Convertible bonds are repayable in 2010 but may be converted to equity at a current exchange price of £11.78 per share

Illustrative Investment Considerations

HOW TO SPEND £100m FREE CASH

	incremental EBITDA	incremental PBT	EPS accretion (p)
Investment (20% return)	20	20	5.4
Acquisition - (£400m at 11% return)	44	23	6.2
Share buy back @ £13 per share			2.3
Repay debt at 7%		7	1.9

GROWING SHAREHOLDER FUNDS

