

FINANCIAL REVIEW



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Forward Looking Statements

This presentation may contain certain statements about the future outlook for Punch. Although we believe our expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different



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Resilient Earnings from Smaller Pub Estate

	2007/08 53 weeks	2006/07 52 w weeks	% Change	% Change average per pub
Average number of pubs	8,442	9,064	(7)%	
Leased	490	479		
Managed	130	183		
Share of JV	3	2		
EBITDA	623	664	(6)%	(1)%
Depreciation & amortisation	(63)	(57)		
Operating profit	561	607	(8)%	(3)%
Interest	(299)	(328)		
Profit on asset sales	0	3		
Profit before tax	262	282	(7)%	(2)%
Tax	(49)	(58)		
Net profit	214	224	(5)%	
EPS	80.2p	84.4p	(5)%	

Figures exclude exceptional items

Throughout this document the results are positively impacted by an additional weeks trading relative to last year; like for like measures and profit per pub are shown on an equivalent 52 week basis



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Leased Estate

	2007/08 53 weeks	2006/07 52 weeks	Change average per pub
Average number of pubs	7,572	7,873	
Revenue	858	845	4%
Gross profit	563	554	4%
Costs	(73)	(75)	1%
EBITDA	490	479	4%
Operating profit	469	462	4%
Operating margin %	54.7%	54.6%	0.1% pts

Quality

- 4% reduction in average estate size
- EBITDA per pub up 4% (benefiting from estate churn)

Earnings

- Like for like pub contribution down 3.4%
- Operating margin maintained



Leased Operating Statistics

Like for like revenue

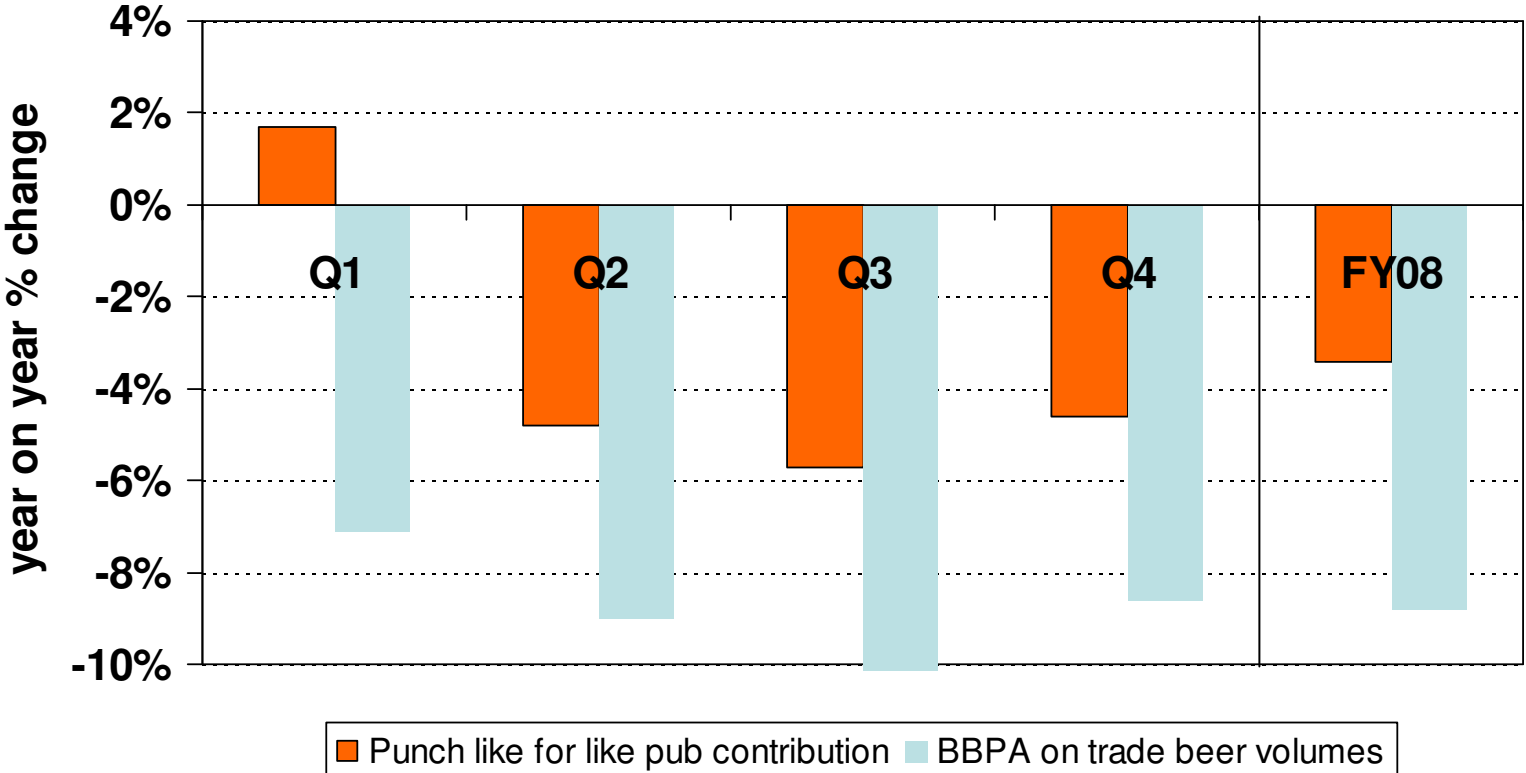
	2007/08	2006/07
Drink	(5.6)%	(0.8)%
Rent	2.1%	4.5%
Machines	(12.5)%	0.1%
	(3.7)%	0.6%

Operating margin movement

	2007/08	2006/07
Beer	(0.5)%	1.2%
Mix	0.5%	0.5%
Gross profit	0.0%	1.7%
Rent payable	(0.8)%	(0.2)%
Other costs	1.2%	0.1%
Depreciation	(0.3)%	(0.1)%
Overall movement (% points)	0.1%	1.5%



Leased Like for Like Analysis



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Managed Estate

	2007/08 53 weeks	2006/07 52 weeks	Change average per pub
Average number of pubs	870	1,191	
Revenue	703	860	10%
Gross profit	507	631	8%
Costs	(377)	(449)	(13)%
EBITDA	130	183	(4)%
Operating profit	88	144	(17)%
Operating margin %	12.6%	16.7%	(4.1)% pts

Quality

- 27% reduction in average estate size
- Revenue per pub up 10%
- EBITDA per pub down 4%

Earnings

- Like for like sales down 3.3%
- Like for like outlet EBITDA down 14%



Managed Operating Statistics

Like for like revenue

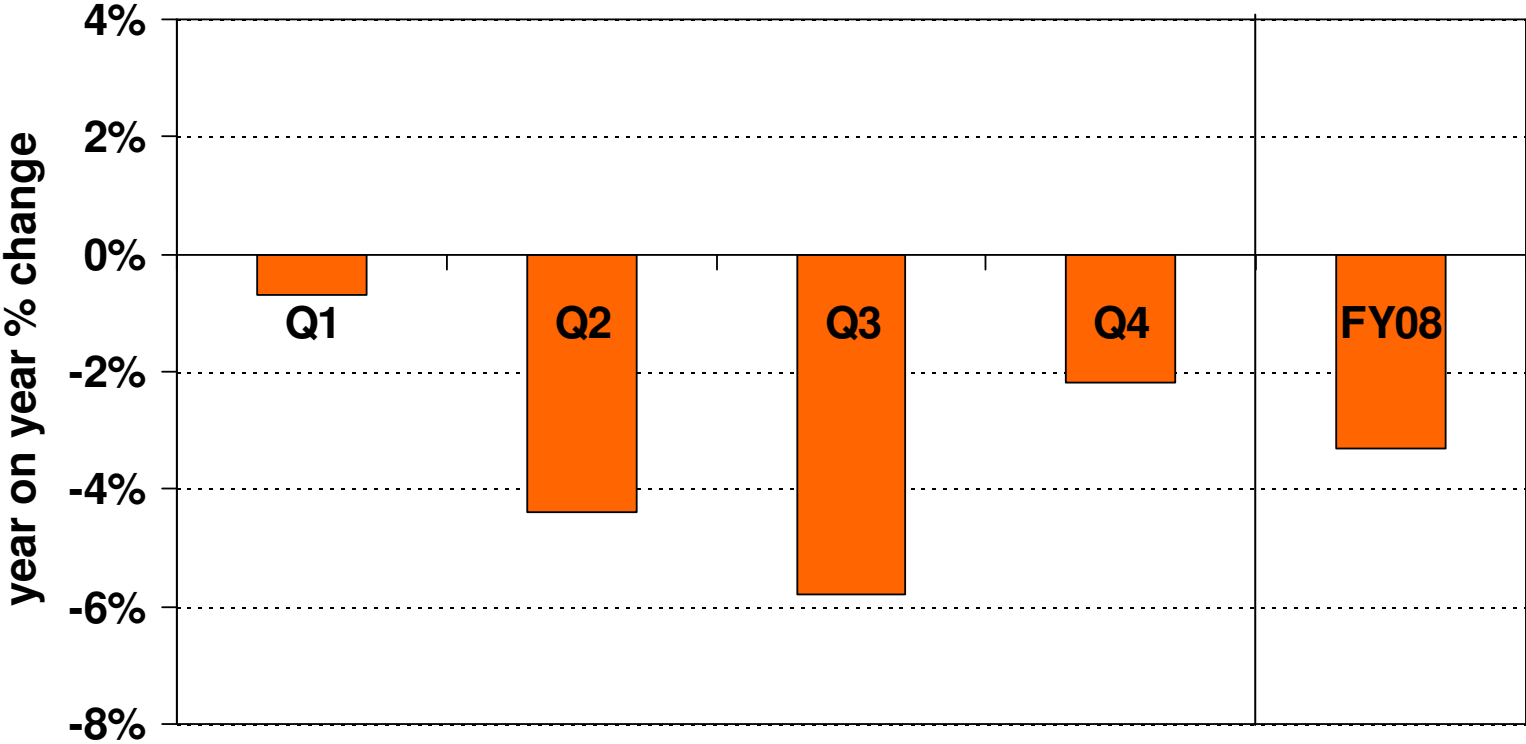
	2007/08	2006/07
Drink	(4.6)%	2.3%
Food	(0.4)%	5.8%
Machines & Other	(10.0)%	1.0%
	(3.3)%	3.5%

Operating margin movement

	2007/08	2006/07
Drinks	(0.4)%	0.8%
Food	0.0%	(0.5)%
Mix	(0.8)%	(0.1)%
Gross profit	(1.2)%	0.2%
Labour costs	(1.3)%	(0.2)%
Utilities	0.1%	(0.6)%
Rent payable	(0.4)%	0.1%
Other pub costs	(0.4)%	(0.9)%
Support costs	0.5%	(0.3)%
Depreciation	(1.4)%	(0.4)%
Overall movement (% points)	(4.1)%	(2.1)%



Managed Like for Like Revenue Analysis



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Exceptional Items

Exceptional items – £278m charge after tax

	Non cash	Cash	Total
Restructuring costs	-	(14)	(14)
Provision on reversion of 4 onerous leases	(3)	-	(3)
Pub impairment	(295)	-	(295)
Interest rate swap mark to market	(31)	-	(31)
Tax	53	12	65
	<u>(276)</u>	<u>(2)</u>	<u>(278)</u>



Property Update and Valuation

- Property value of £6.4bn in year end accounts
 - Impairment charge of £295m
 - Assets held at cost; accounting standards require reductions in value to be booked, uplifts in value not recognised
 - 500 pubs identified for potential disposal
- External valuation of £6.5bn
 - Recognises reduction in trading in the year
 - Exceeds book value by £0.1bn, not recognised in the accounts



Strong Balance Sheet

£m	<u>August 2008</u>	<u>August 2007</u>
Fixed assets & investments	6,467	6,703
Net debt (nominal value)	(4,531)	(4,655)
	1,936	2,048
Other	(343)	(311)
Net assets	1,593	1,737

- 94% of estate freehold or long lease
- Pension scheme well funded



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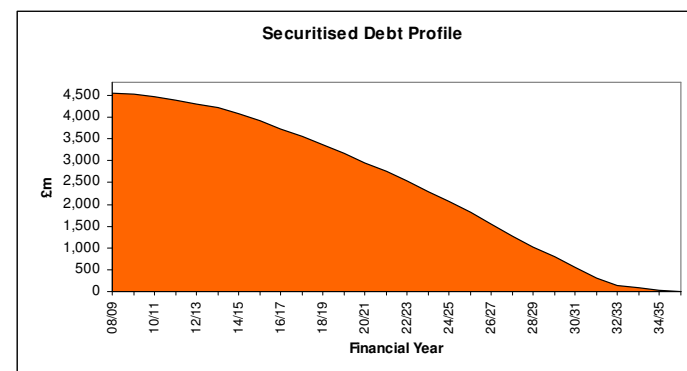
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Stable Long Term Debt

Debt Structure	Nominal Value £m		
	28 Oct 2008	Aug 2008	Aug 2007
Securitised debt			
Punch A	1,990	2,068	2,100
Punch B	1,223	1,249	1,249
Spirit	1,250	1,250	1,250
Total	4,463	4,567	4,599
Bank debt	0	0	43
Convertible bonds ¹	217	285	281
Gross Debt	4,680	4,852	4,923



Debt Repayment Schedule		
	Securitized Debt	Convertible Debt
2008/09 ²	£10m	
2009/10	£43m	
2010/11	£67m	£224m

- Weighted average life of securitised debt is 19 yrs
- Weighted average cost of debt is 6.6%³
- Interest cover maintained at 2.0x EBITDA



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¹Including accretive value at balance sheet date

²Post 28 October 2008

³Effective interest rate calculated as interest expense over nominal value of debt

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Financial Covenants

DSCR	4 Qtr (actual) ¹	Covenant ²	Indicative Headroom
- Punch A	1.58x	1.25x	26%
- Punch B	2.13x	1.50x	42%
- Spirit (default)	1.95x	1.30x	50%

Net Worth	August 2008 ³	Covenant ⁴	Indicative Headroom
- Punch A	£704m	£200m	£504m
- Punch B	£506m	£125m	£381m

- Significant headroom exists in the DSCR and Net Worth financial covenants

¹ Figure shown is the FY08 4-quarter look back ratio

² DSCR covenants are tested quarterly on a 2-quarter and 4-quarter look back

³ As reported in the Quarter 4 bondholder report

⁴ Net worth covenant tested annually



Cash Generation

Cash Generation (£m)

EBITDA	623	664
Operating cash flow	600	551
Pension	(13)	(3)
Interest	(310)	(329)
Tax received/(paid)	21	(19)
Free cash flow before investment	298	200
Investment - Leased	(69)	(117)
Investment - Managed	(67)	(85)
Disposals	35	53
Acquisitions	(24)	(81)
Package acquisitions & disposals	-	294
Free cash flow	173	264
Dividends	(42)	(37)
Cash flow pre financing	131	227

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2008/09 Positioning

(3)
(305)
(20)
(50)
(70)
50
0

- Significant cash generation into 2009



Balance Sheet Management

- Strong cash generation, £173m free cash flow
- Implied reduction in gross debt through to December 2010 in excess of £400m compared to August 2007

HOWEVER

- Concerns over accessibility of cash generated to plc
- Convertible is due for redemption in December 2010



Improved Debt Service Cover

Punch A

- Intra Group assets disposal (£50m Spirit, £30m plc)
- £77m A3 notes redeemed at 95% of nominal
- FY09 Debt Service reduced by 12%

Punch B

- £25m A8 notes redeemed at 80% of nominal
- Efficient use of securitisation surplus cash, £5m saved and reduced interest expense

Spirit

- £50m 'trapped cash' used to acquire intra Group assets
- Additional £5m EBITDA added to the securitisation



Improved plc Resources

- Dividend policy reviewed
- £30m Punch A assets acquired to improve flexibility and upstreaming headroom
- Pub acquisition activity ceased early FY2008
- Estate review completed and disposal programme determined
- Renewal of undrawn £50m working capital facility



Plc Resources for Convertible Bond Redemption

<u>Main Sources</u>	£m
Plc cash balance at 28 October 2008 (post financing activity)	36
Punch A 07/08 outstanding cash upstream	28
FY09 upstream from Punch A & B (assumed same as FY08 for illustrative purposes)	137
Unsecuritised assets	115
FY10 securitisation upstream (assumed tax only)	38
	<hr/> 354
 <u>Main Uses</u>	
Tax payments FY09 & FY10	(70)
Convertible bond interest to December 2010	(26)
	<hr/> (96)
	<hr/> 258
 Redemption value of outstanding convertible	 224

In addition we have a £50m revolving credit facility



Financial Review Summary

- Resilient performance given smaller pub estate, smoking ban, consumer downturn and credit crunch
- Results in line with expectations
- Strong cash generation with free cash flow before investment of £298m (£200m last year)
- Prudent decision to utilise cash to reduce debt levels
- Gross debt reduced by £243m including actions taken post year end
- Conservative view of property valuations reflected in balance sheet
- Property valuation £2.0bn more than net debt

