

Appendices



www.thespiritgroup.com

PASSIONATE ABOUT OUR PUBS

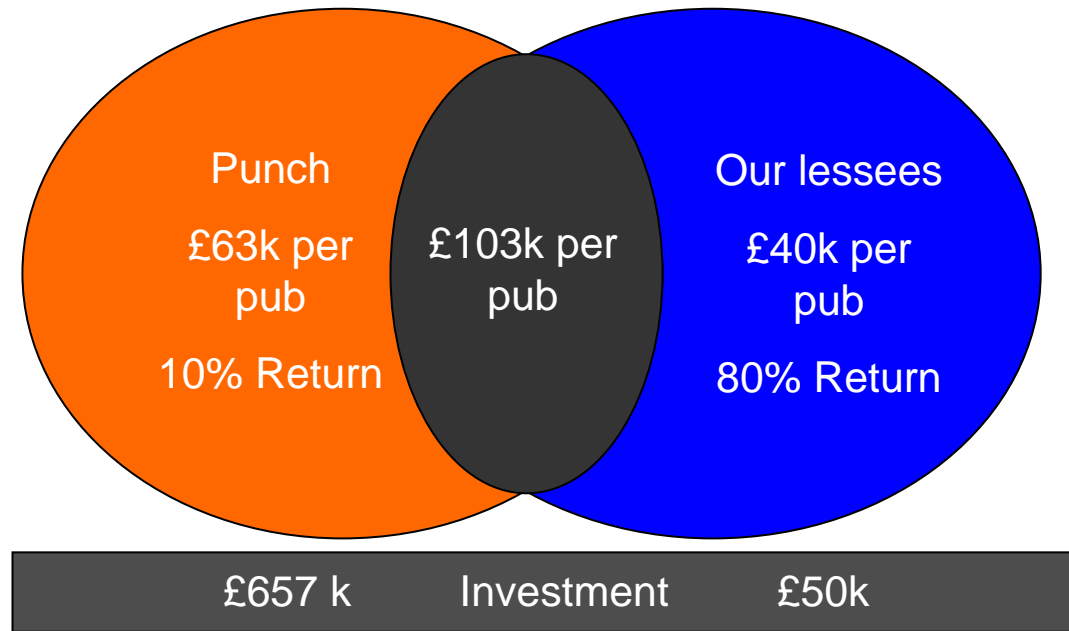


www.punchtaverns.com

Leased Business

Lessee P&L

- Leased model shares the risk delivering strong returns
- Average pub profit £63k Punch and £40k lessee
- Attractive returns for lessee with less capital outlay and attractive 18 months payback
- During economic downturns model provides greater certainty through rent, accommodation and immediate business support
- Average lessee income is 67%¹ above average full-time adult worker earnings



¹ Compared to ONS median gross annual earnings in the 2006/7 tax year



Leased Estate Profit Contribution

28 weeks to 1 March 2008	<u>Original</u>	<u>growth</u>	<u>Conversions</u>	<u>Total</u>	<u>growth</u>
Average number of pubs	6,928	(11%)	647	7,575	(5%)
<u>£m</u>					
Revenue:					
Beer	218	(12%)	39	257	(1%)
Rent	116	(0%)	19	135	10%
Machine income	13	(20%)	4	17	(3%)
Other drinks	34	(6%)	8	42	7%
Total	381	(8%)	70	451	2%
Gross margin					
Beer	111	(12%)	19	130	(3%)
Rent	115	(0%)	19	134	9%
Machine income	13	(20%)	4	17	(3%)
Other drinks	14	(3%)	2	16	7%
Total	253	(7%)	44	297	3%
Other Costs	(29)	19%	(2)	(31)	16%
EBITDAR	224	(6%)	42	266	6%
Rent Payable	(2)	21%	(5)	(7)	(147%)
EBITDA	222	(6%)	37	259	4%
<i>Margin</i>	58%		53%	57%	
<i>Annualised EBITDA per pub</i>	£59k	6%	£106k	£63k	10%

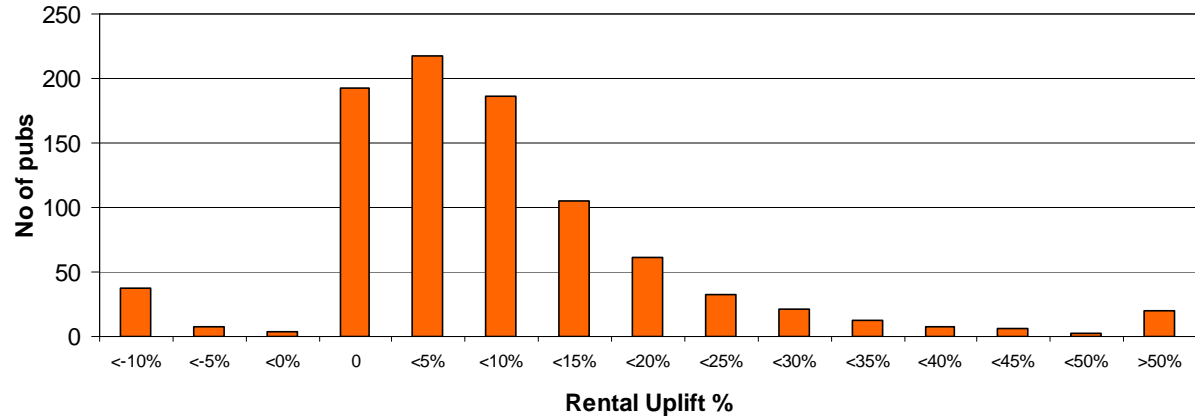


Agreeing Fair Maintainable Rents

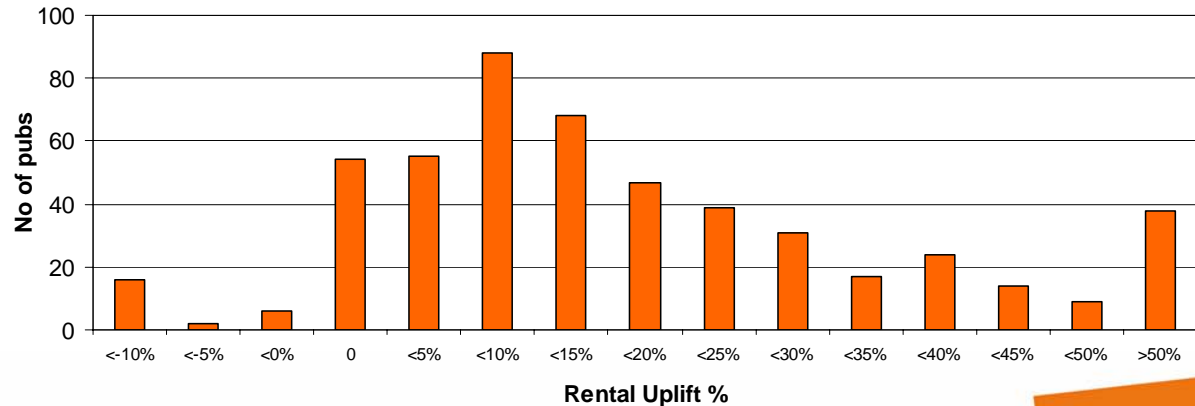
- Rent is assessed on the estimated fair maintainable retail profit of the individual pub
- Rent is negotiated and agreed with the lessee
- There are a wide spread of uplifts achieved demonstrating this "individual" pub approach

- 235 rent reviews in H1 have been agreed at an average uplift of 6%. 156 new rents have been agreed on lease renewal at an average uplift of 14%
- In exceptional difficulties, rent concessions are granted. At March 2008 there were 251 concessions, with annualised rental value of £4.2m

Completed Rent Reviews
FY07 and FY08 H1
Rental uplift achieved



Completed Lease Renewals
FY07 and FY08 H1
Rental uplift achieved



Managed Estate Profit Contribution

28 weeks to 1 March 2008	Core estate	L4L Change %	Evolution estate	Total
Closing number of pubs	832		36	868
Average number of pubs	833		42	875
<u>£m</u>				
Drink	198	(4%)	6	204
Food	136	0%	2	138
Machines income	9	(18%)	1	10
Other	9	(2%)	2	11
Total revenue	352	(3%)	11	363
Drink	149	(4%)	5	154
Food	88	1%	1	89
Machines	9	(18%)	1	10
Other	9	(2%)	1	10
Gross margin	255	(3%)	8	263
Labour costs	(95)	(1%)	(4)	(99)
Utilities	(13)	(5%)	(1)	(14)
Other pub costs	(45)	(5%)	(3)	(48)
Rent payable	(20)	(4%)	(1)	(21)
Outlet EBITDA	82	(12%)	(1)	81

Spirit core managed estate represents the managed houses operated within one of the four core divisions



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 @ £6 per share			5.6
Repay debt at 7%		7	1.9

GROWING SHAREHOLDER FUNDS

