

Punch

T A V E R N S

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

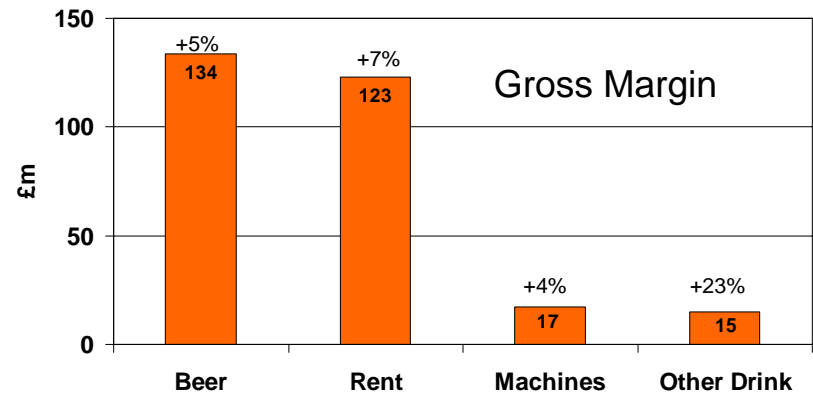
	<u>Leased</u>	<u>Managed</u>	<u>Total</u>
August 2006	7,846	1,410	9,256
Acquisitions	50	82	132
Lease conversions	260	(260)	
Disposals	(37)	(47)	(84)
March 2007	8,119	1,185	9,304
<i>net change</i>	3%	-16%	1%
Average estate size	7,993	1,319	9,312
<i>decrease on last year</i>	-1%		

- 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

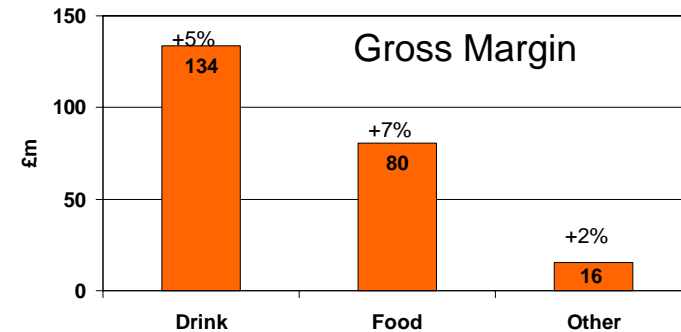


Growth measured against last year excluding GRS Inns, sold June 2006

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