HELPING RETAILERS BUILD BETTER BUSINESSES

FINANCIAL REVIEW

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Financial Review

- Results cover 28 weeks to 5th March 2005
  - Full contribution from Pubmaster – acquired December 2003
  - 25 week contribution from InnSpired – acquired September 2004
- Acquisitions adding scale to steady organic growth
- Cash generation and strong balance sheet funding expansion

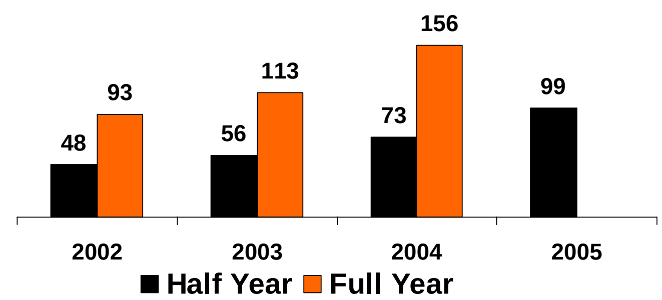
Punch TAVERNS

Strong Earnings Growth

28 weeks to 5th March	£m pre exceptionals	growth
Turnover	**403.6**	***33%***
EBITDA	**213.1**	***33%***
Depreciation	(7.0)	
Interest	(103.5)	
PBTA	**102.6**	***39%***
Property Profit	0.2	
Amortisation	(3.5)	
PBT	**99.3**	***37%***
Tax	(25.1)	
Profit	**74.2**	***30%***

- Operating margin 53%
- Interest cover up to 2.1x
- Rising tax charge now 25%
- Adjusted EPS up 29%

PBT Progression



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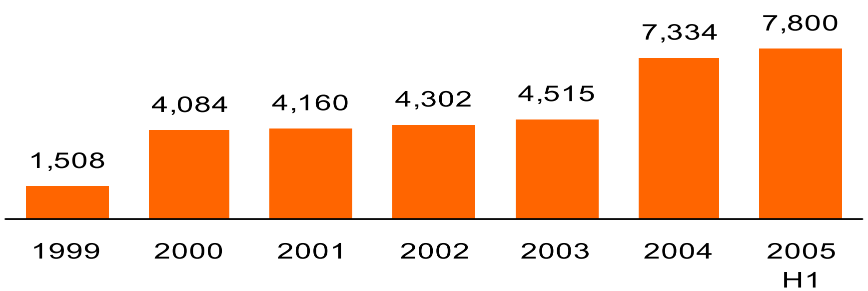
Pub Numbers by Estate

	Punch estate	Pubmaster estate	InnSpired estate	Total
August 2004	4,407	2,927		7,334
InnSpired Acquisition			1,064	1,064
Other Acquisitions	63	6	3	72
Disposals	-54	-20	-596	-670
March 2005	4,416	2,913	471	7,800
average	*4,406*	*2,917*	*421*	*7,744*
movement on H1 last year	*-2%*			



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Contribution by Estate

£m (pre exceptionals)	Punch (28 wks)	*growth*	Pubmaster (28 wks)	InnSpired (25 wks)	Total
Turnover	241.4	*4%*	141.4	20.8	403.6
Gross profit	156.3	*4%*	81.9	12.3	250.5
Costs	(21.4)	*-2%*	(14.5)	(1.5)	(37.4)
EBITDA	134.9	*5%*	67.4	10.8	213.1
Margin	*56%*		*48%*	*52%*	
EBITDA per pub (annualised)	*£57k*		*£43k*	*£48k*	

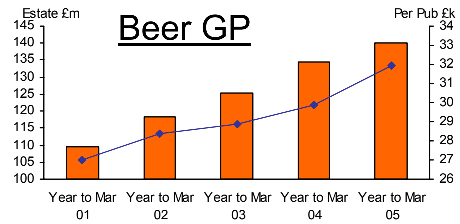
- Punch growing turnover and profit despite 2% fewer pubs
- Pubmaster margin improved to 48% from 45% last year (H1)
- InnSpired estate generating immediate accretion on investment from 471 retained pubs

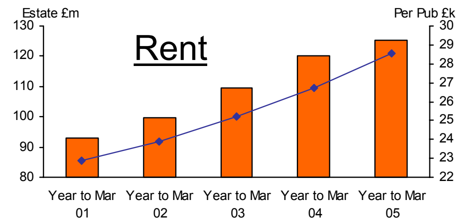
Income Stream Progression

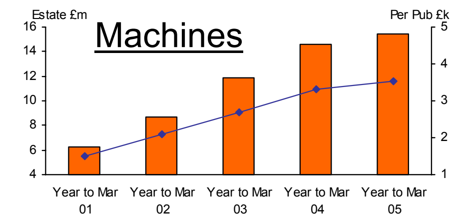
	Punch (28 w ks)	*growth*	Pubmaster (28 w ks)	InnSpired (25 w ks)	**Total**
Turnover £m					
Beer	144.4	*4%*	84.4	13.3	**242.1**
Rent	68.6	*5%*	29.9	5.2	**103.6**
Machines	8.7	*3%*	6.2	0.5	**15.4**
Other	19.7	*7%*	20.9	1.9	**42.5**
Total	241.4	*4%*	141.4	20.8	**403.6**
Gross Profit £m					
Beer	73.4	*3%*	41.2	5.9	**120.4**
Rent	68.4	*5%*	29.7	5.2	**103.3**
Machines	8.7	*6%*	6.3	0.5	**15.4**
Other	5.8	3%	4.7	0.7	**11.3**
Total	156.3	*4%*	81.9	12.3	**250.5**

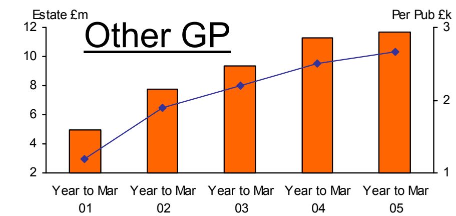
Note: Pubmaster Other includes GRS Inns (net turnover £8.6m, gross profit £1.5m)

PUNCH ESTATE ONLY









Total Punch Estate

Average per pub

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Growing Turnover and Margin

Average per pub

	Turnover	EBITDA
Punch	+5.8%	+6.7%
Pubmaster	+3.1%	+4.1%
InnSpired	+2.1%	+6.0%

Like for Like

	Turnover	Pub Contribution
Punch	+3.4%	+2.4%

Notes:

1. Pubmaster and InnSpired averages are compared to pre-acquisition management accounts.
2. Like for like estate includes all pubs except acquisitions made since Aug 2003 (97% of current Punch estate)

- All estates benefit from shared support cost synergies
- Punch estate benefits most from acquisition and disposal
- Pubmaster most impacted by transition
- Like for like growth impacted by increased cost of new distribution arrangements

Punch TAVERNS

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Cash Generation and Uses

£m	2005 *28 weeks*
EBITDA	213
Working capital, provisions, etc	(13)
Infrastructure investment	(1)
Tax paid	(8)
Cash generation	**191**
Enhancement investment	(29)
InnSpired acquisition	(212)
Other acquisitions	(40)
Disposal proceeds	22
Interest	(99)
Dividends	(15)
Additional net debt	**(182)**

- Cash generation is 47% of turnover, despite increasing tax
- InnSpired funded by generated cash and debt
- Key uses of cash are:
  - Investment in the business
  - Acquisitions
  - Servicing debt
  - Dividends

Asset Rich Balance Sheet

£m	21st August 2004	5th March 2005
Fixed assets	3,569	3,811
Goodwill	105	113
Working capital	(135)	(128)
Provisions	(103)	(115)
Cash	165	143
Securitised debt	(2,787)	(2,770)
Other debt	(14)	(190)
Net Assets	800	864
Net debt	*2,635*	*2,817*

Note: Cash and debts are shown net of £32m cash collateralised loan notes

- Asset base increased by InnSpired acquisition
- Average pub book value £489k
- Securitised debt covers most of Punch and Pubmaster estates
- Considering options to refinance other debt, covering InnSpired and recent acquisitions, onto long term basis

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Accounting Points

- **Exceptional non-recurring costs** of £10.8m (pre-tax):
  - £7.9m on finance charges associated with the InnSpired debt structure
  - £2.9m on reorganisation costs, primarily InnSpired and Pubmaster integration
- **InnSpired acquisition**
  - Only the retained estate of 471 pubs are included in profits – all others accounted for in the fair value calculation
  - Goodwill arising of £12m to be amortised over 20 years – charge in period £0.3m
- **Taxation**
  - Effective tax charge of 25.3% of PBT before exceptional items, 23.4% post exceptional items
  - Is expected to be similar for full year then rise towards 30% in next 2 years

IFRS

Timetable:

- Applies from next financial year, commencing 21st August 2005
- Accounts to 20th August 2005 to be restated to new basis – expected early 2006
- First reporting to cover interim results in April 2006

Key Points:

- Anticipate relatively minor impact on reported earnings:
  - Amortisation of goodwill will cease
  - Minor impact from share-based transactions for employees
  - Possible impact from depreciation or asset impairment – policy being assessed
  - Minor impact from movements in derivatives or pension schemes
- Some impact on balance sheet:
  - Deferred tax provision will increase due to theoretical potential gain on assets
  - Financial instruments and DB pensions fair value taken on balance sheet
  - Possible impact of future asset revaluation – policy being assessed
- No impact on cash flows in the business
- No impact on debt covenants