

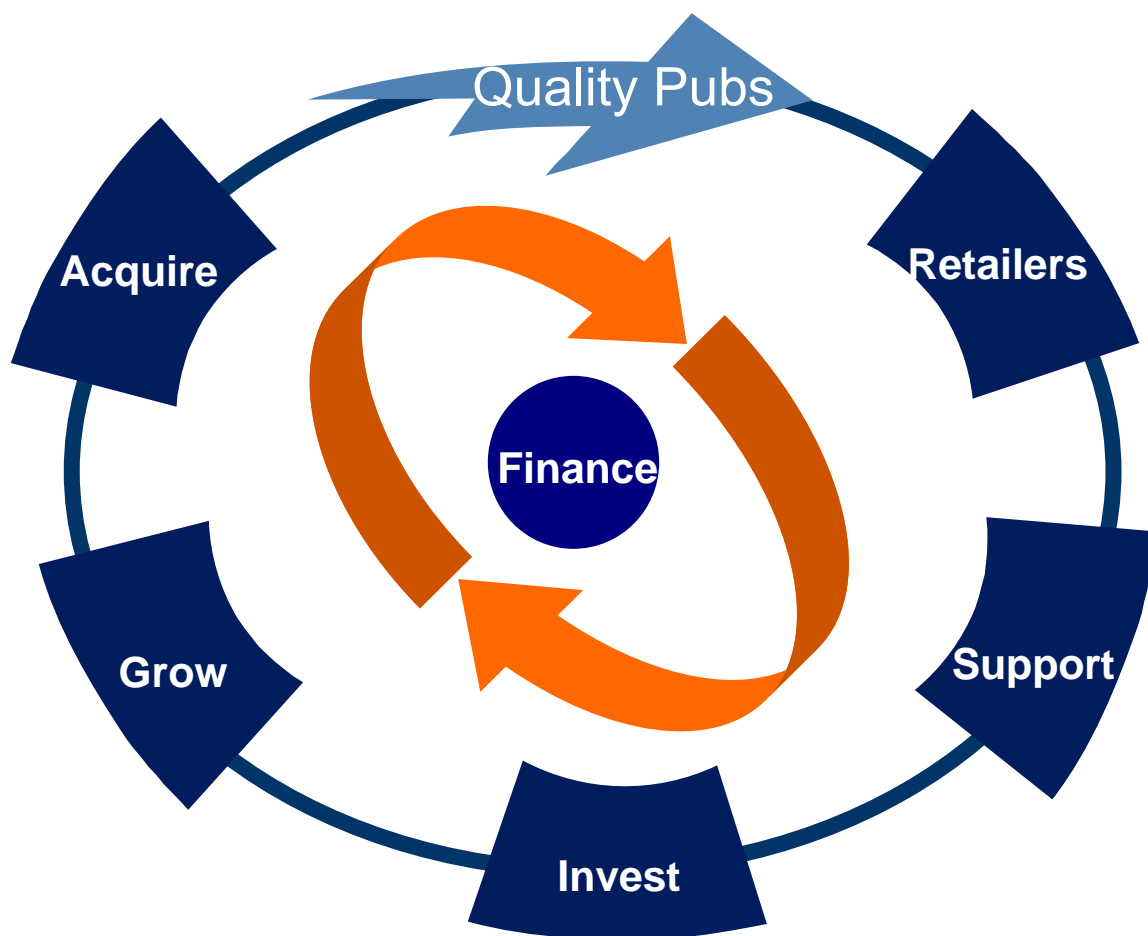
Punch

T A V E R N S

Business Review

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Business Review



- Consistent and proven strategy:
 - To add value through the business model
 - To acquire more pubs

Business Model in Action

Retailers:

- Applicant numbers for our pubs currently exceed 180 per week
- 620 pubs now signed onto new long term Retailer Agreement since launch last summer

Support:

- 7,146 retailer training days in first half year
- Licensing support package assisting move to more flexible hours

Investment:

- 397 pub developments for £26m at 25% ROI.
- Includes £9m spend on Pubmaster estate – pipeline now building

Growth:

- Retail Experience programme
- Over 2,000 new lager fonts installed since last August

Acquisitions:

- 72 individual pub acquisitions for £40m at 12% ROI
- InnSpired acquisition and retention of core estate

Extracting Value from InnSpired

10 th September	InnSpired acquisition completed, 1,064 pubs for £335m
24 th September	Sale completed of 51 InnSpired pubs for £12m in a package of 88 to Admiral Taverns
22 nd November	InnSpired securitised debt structure refinanced
17 th January	Retained 471 pubs (including 3 acquisitions) integrated into Punch
28 th January	Sale completed of 545 lower quality InnSpired pubs to Pubfolio Ltd for £162m

- Best InnSpired pubs extracted for 9.6x historic EBITDA, after all costs
- Very smooth integration process – infrastructure sold to Pubfolio
- Pubs trading well
- Potential synergy benefit of around £2m pa to be realised

Industry Watch

- Licensing
 - Commenced February, applications due in by August
 - Punch selling in Licensing Support Package and retaining the premises licence
 - 93% uptake of package with excellent feedback from retailers
- Smoking
 - White Paper proposes ban in food premises by 2008
 - Industry commitment to move to:
 - No smoking at the bar and back of house by end 2005
 - 35% of trading area in all pubs smoke free by end 2005
 - 80% of trading area in all pubs smoke free by 2009
 - Punch selling in smoke reduction strategy:
 - 70% take up by retailers to date
 - Clear understanding of changing consumer preferences

Summary and Current Trading

- An excellent first half, continuing the growth story
- Trading continues to be robust
- Pubmaster and InnSpired present new growth opportunities
 - Development investment
 - Modern lease agreements
 - Purchasing synergies
- We remain well placed to take advantage of further acquisition opportunities
- Confident of satisfactory outcome for the year