

Punch

T A V E R N S

FINANCIAL REVIEW

Financial Review

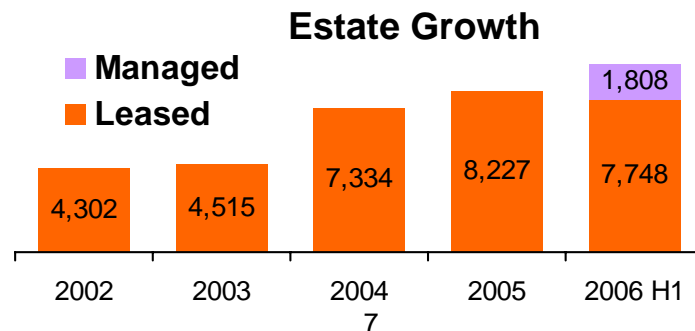
- Results cover 28 weeks to 4th March 2006
 - Full contribution from InnSpired – acquired September 2004
 - Full contribution from Avebury – acquired 8th August 2005
 - 8 weeks contribution from Spirit – acquired 5th January 2006
- Reported on an IFRS basis
 - 2005 restated as announced on 27th April 2006

Strong Earnings Growth

28 weeks to 4th March	<u>Punch</u>	<u>Spirit</u>	<u>Group</u>	<u>growth</u>
£m pre exceptionals				
Turnover	430	189	619	53%
EBITDA	232	37	269	26%
Depreciation	-7	-5	-12	
Amortisation	-1	-2	-3	
Interest			-138	
PBT			116	13%
Tax			-26	
Net Profit			90	13%
EPS			35.1	10%

Evolving Pub Estate

	<u>Punch</u> <u>Leased</u>	<u>Spirit</u> <u>Managed</u>	<u>Total</u>
August 2005	8,227	0	8,227
Acquisitions	54	1,830	1,884
Disposals	(533)	(22)	(555)
March 2006	7,748	1,808	9,556
<i>net reduction</i>	<i>-6%</i>		
Average estate size	8,060		
<i>increase on H1 last year</i>	<i>4%</i>		



Profit Contribution in the Leased Estate

28 weeks to 4th March	<u>Punch</u>	<u>growth</u>	<u>InnSpired</u>	<u>Avebury</u>	<u>Total</u>	<u>growth</u>
Average number of pubs	7,196	-2%	463	401	8,060	4%
£m						
Turnover	386	1%	23	21	430	7%
Gross profit	243	2%	15	13	271	8%
Costs	(35)	1%	(2)	(2)	(39)	-8%
EBITDA	208	3%	13	11	232	8%
<i>Margin</i>	<i>54%</i>		<i>54%</i>	<i>52%</i>	<i>54%</i>	
<i>EBITDA per pub (annualised)</i>	<i>£54k</i>	<i>5%</i>	<i>£51k</i>	<i>£51k</i>	<i>£53k</i>	

excludes exceptional items

- Punch estate growing turnover and profit despite 2% reduction in pubs
- InnSpired and Avebury estates have increasingly similar characteristics

Leased Income Streams

28 weeks to 4th March	<u>Punch</u>	<u>growth</u>	<u>InnSpired</u>	<u>Avebury</u>	<u>Total</u>
Pub Numbers	7,196	-2%	463	401	8,060
Turnover £m					
Beer	229	0%	14	12	255
Rent	103	5%	6	6	115
Machines	14	-6%	1	1	16
Other	32	0%	2	2	36
Total	378	1%	23	21	422
Gross Profit £m					
Beer	116	1%	7	5	128
Rent	102	4%	6	6	114
Machines	14	-6%	1	1	16
Other	10	13%	1	1	12
Total	242	2%	15	13	270

Excludes GRS Inns, turnover £8m, gross profit £1m

Growing Turnover and Profits in the Leased Estate

Like for Like

	Turnover	Pub Contribution
Punch	+1.0%	+2.1%

Average per pub

	Turnover	EBITDA
Punch	+2.6%	+4.6%
InnSpired	+1.9%	+7.3%
Avebury	+0.6%	+9.5%

- Steady organic like for like growth with improving margins
- Growth enhanced by pub churn
- Strong growth in acquired estates

Notes:

Like for like estate includes all pubs except acquisitions made since Aug 2004 (6,707pubs; 87% of current leased estate)

InnSpired and Avebury growth is measured against pre-acquisition management accounts

Spirit Profit Contribution

£m	8 weeks post acquisition
Drink	118
Food	59
Machines	8
Other	4
Total Sales	189
Gross Margin	136
Pub costs	(79)
Rent payable	(11)
Outlet EBITDA	46
Overheads	(9)
EBITDA	37
EBITDAR	48

- Spirit results consolidated for 8 weeks from 5th January to 4th March. This is the low point of the trading year
- Same store like for like growth for 16 week period to 29th April was 3.2% which includes growth in food sales of 5.8%
- Uninvested like for like growth was 1.3%

Further detail of the trading result, and comparable full year information for 2005, is attached in the appendix

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Group Cash Generation and Uses

£m	<u>28 Weeks to</u> <u>4th March</u>
EBITDA	269
Working capital, provisions, etc	(51)
Infrastructure investment	(1)
Tax	(21)
Cash generation	196
Investment in leased pubs	(44)
Investment in managed pubs	(12)
Individual acquisitions	(36)
Disposal proceeds	218
Interest	(107)
Dividends	(20)
Cash generated pre funding and Spirit acquisition cost	195

- The group continues to generate cash
- Working capital outflow caused by temporary seasonal movements

- Key uses of cash:
 - Investment in estate
 - Acquisitions
 - Servicing capital structure

Strong Group Balance Sheet

£m	4th March <u>2006</u>	20th August <u>2005</u>
Fixed assets	7,221	4,328
Goodwill	517	269
Current liabilities	(276)	(174)
Non current liabilities, provisions	(424)	(297)
Cash	448	249
Debt	(5,972)	(3,251)
FV of interest rate swaps	(278)	(101)
Net assets	1,236	1,023
<i>Net debt</i>	<i>5,524</i>	<i>3,002</i>

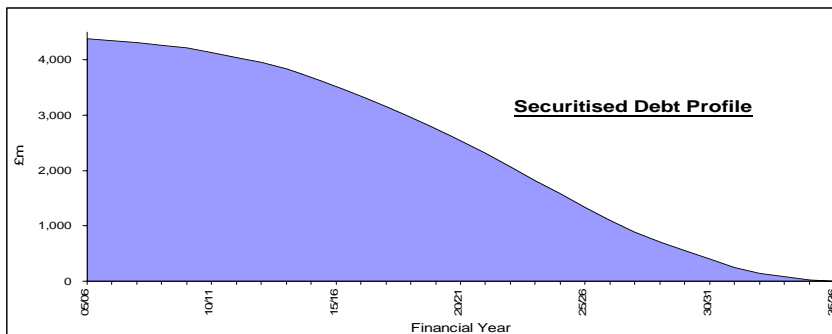
- High asset values, significant cash reserves, and efficient debt finance
- Large increase in balance sheet values through acquisition of Spirit – see fair value slide in Appendix
- Fair Value of interest rate swaps arises from IFRS

Fair value of interest rate swaps includes proforma IAS39 adjustment for 2005

Efficient Debt

	Balance Sheet Value £m	Nominal Value £m	Effective Interest Rate
Securitised debt			
Punch A	1,776	1,776	7.2%
Punch B	1,316	1,249	6.2%
Avebury	128	107	7.8%
Spirit debenture	1,360	1,250	6.6%
total	4,580	4,382	6.8%
Bank debt	1,154	1,173	6.6%
Convertible bonds	238	275	6.3%
Total Debt	5,972	5,830	6.7%

- All debt is at fixed rate
- Securitised debt is investment grade and fully repaid over terms to 2035
- Bank debt is a three year acquisition facility
- Convertible bonds are repayable in 2010 and may be converted to equity



Accounting Points

- IFRS
 - Accounting policies and restated prior year results available from website
 - Minor impact on earnings compared to UK GAAP
 - Pub assets no longer to be revalued
 - Some recently acquired swaps cannot be hedge accounted – will cause volatility in exceptional items
- Exceptional non-recurring costs in half year
 - £3.6m acquisitions and other one off expenditure
 - £4.4m volatility in interest rate swaps not hedge accounted
 - £15m tax credit due to release of tax provision for an onerous contract
- Taxation
 - Effective tax charge of 22% reflects the estimated tax charge for the full year
 - Cash tax in year expected to be lower than half year rate

Financial Review Summary

- Strong financial performance continues
- Balance sheet and cash generation continues to provide robust platform for business growth
- No surprises from Spirit accounts or IFRS