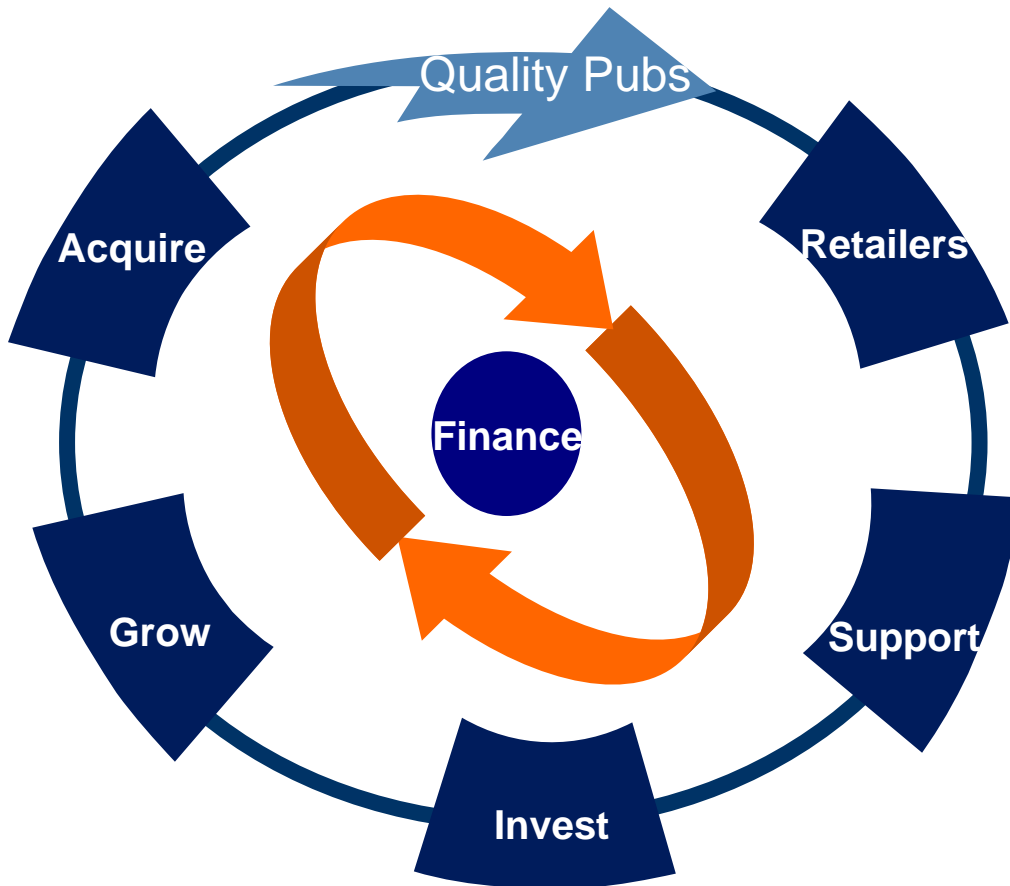


Punch

T A V E R N S

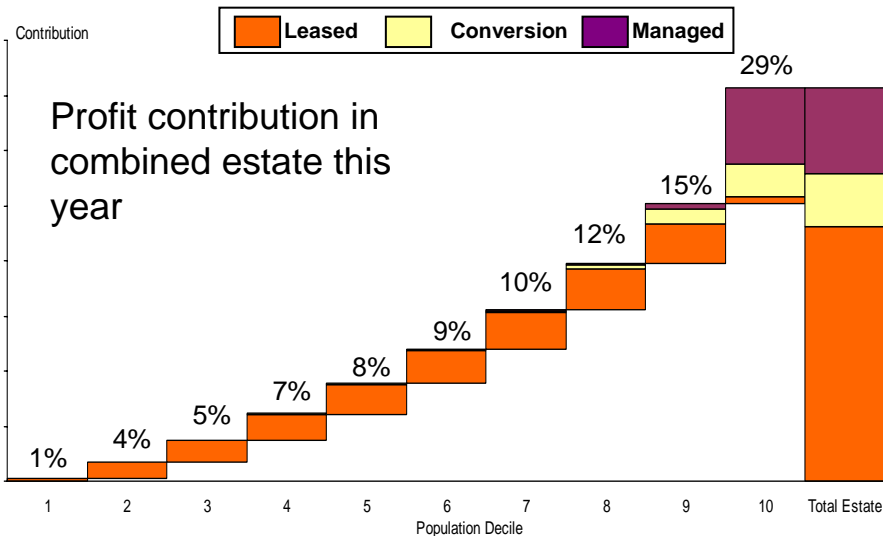
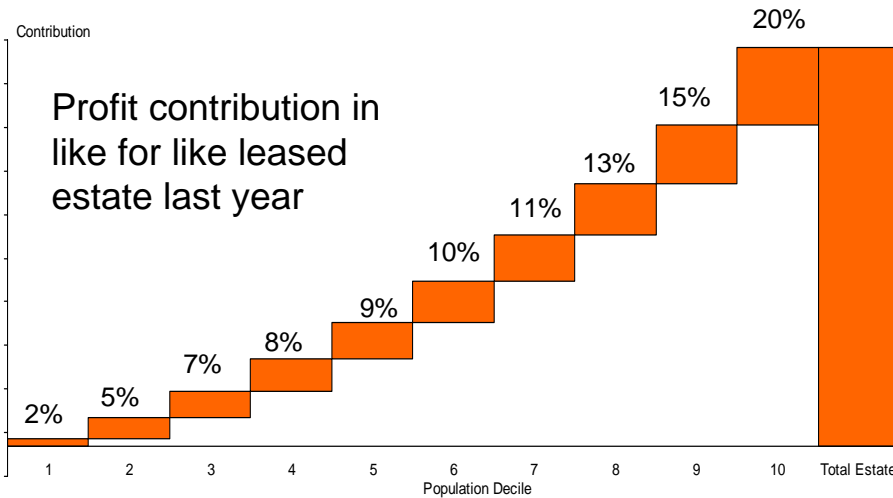
Business Review

Business Review



- Consistent and proven strategy:
 - To add value through the business model
 - To constantly develop and improve estate
 - To acquire more pubs when opportunities arise
- Spirit acquisition provides capability:
 - To increase the overall quality of the estate
 - To maximise future acquisition opportunities
 - To build the value of streamlined managed business
 - To enhance the value creating options for the business

Improving Estate Quality



- Acquisition of Spirit, together with pub disposals, has provided a material increase in quality profile of the estate
- Average profit per pub across whole estate now c£69k per annum, 30% higher than last year

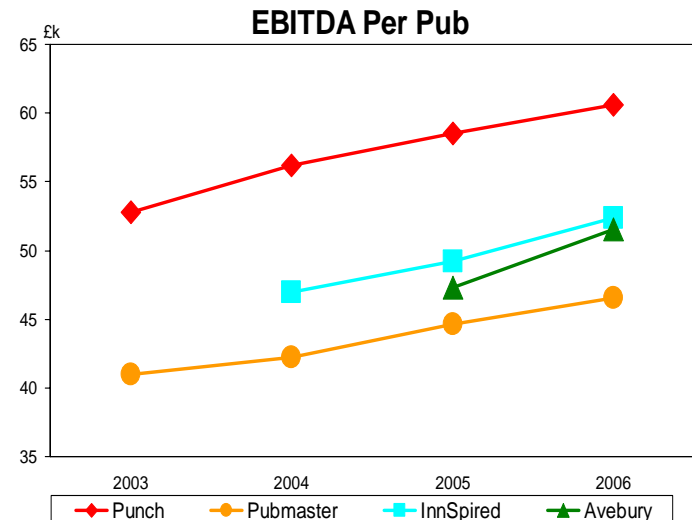
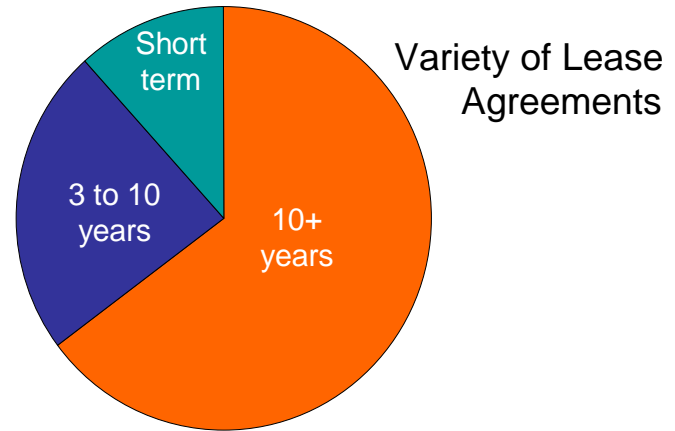
Leased Business Continues To Perform Well

- **Pub opportunities are in demand**
 - Applicant numbers average 129 a week
 - 65% of pubs are now on long-term agreements
 - Over 1,000 pubs let last year

- **We continue to invest with retailers**
 - Over 950 developments for £78m at c25% ROI.
 - 96 individual pub acquisitions for £65m at 11% ROI

- **EBITDA growing across all estates**

- **Publican Leased Pub Company of the Year twice in the last three years**



Retailer Profitability

- Direct indicators of retailer profitability are strong
 - From over 2,700 business assessments this year, we estimate average retailer profitability of c£35k, increasing year on year
 - The average assignment premium is now £80k
 - Overdue debt is low and falling
 - Rent concessions of £2.7m are steady at c1% of rent roll
 - Average agreed rent increase on review is 8%
- We continue to give active support
 - Over 15,000 retailer training days covering nearly 5,000 retailers. 97 Retail Experience programmes run reaching 2,053 pubs.
 - Active preparation for the smoking ban, ongoing licensing support
 - 306 beer brands on offer

Spirit Acquisition Plan is on Track

- Excellent progress being made with plan to :
 - Sell selected pubs with lower prospects or better alternative use
 - Convert smaller high quality pubs to lease
 - Develop larger high quality pubs to top quality managed estate
- Operational structure simplified and focused
- Strong management team in place
- Supply contracts being successfully renegotiated
- Debt structure reorganised
- Complementary Mill House Inns acquisition completed

Disposal Programme Nearing Completion

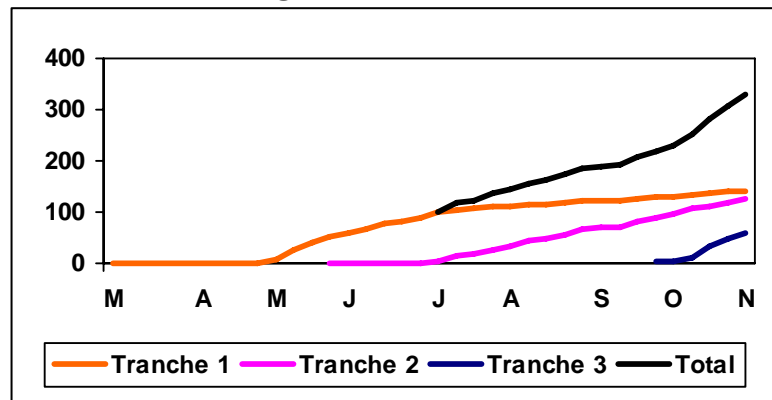
- Non core or less sustainable pubs selected for disposal
- 389 disposals completed as at 3 November 2006
- Disposal multiples exceed original acquisition value

Package	No of Sites	Proceeds £m	Short Leasehold	Outlet EBITDA Multiple
Orchid	290	571	33%	9.4x
Old Orleans	31	26	87%	7.6x
Individuals	68	126	19%	14.8x
Total	389	723	35%	10.0x

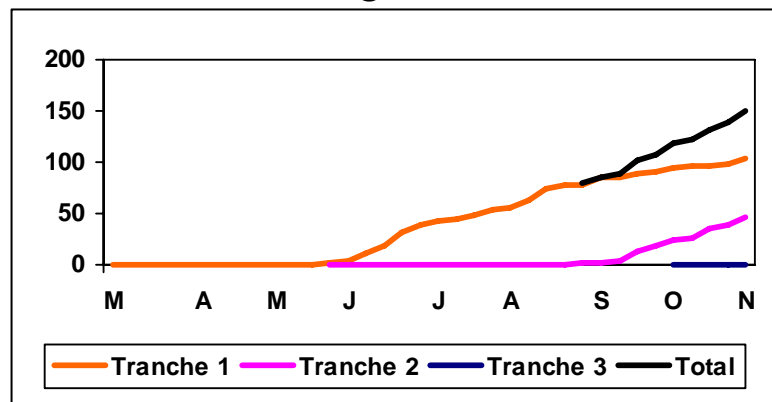
Conversion Progress

- Conversion programme on track
- Specialist teams to separately manage ongoing estate and transfers
- Three tranches now marketed :
 - 1st phase -212 pubs at end of February
 - 2nd phase -249 pubs at end of May
 - 3rd phase -266 pubs in October
- 155 transfers now complete with further 175 COAs (Confirmation of Agreement) in legal process
- Average rent of £54k - in line with expectation
- Trading in transition estate remains robust pre conversion :
 - 0.2% sales decline
 - 1.6% outlet EBITDA decline

Number of Agreements (COA)

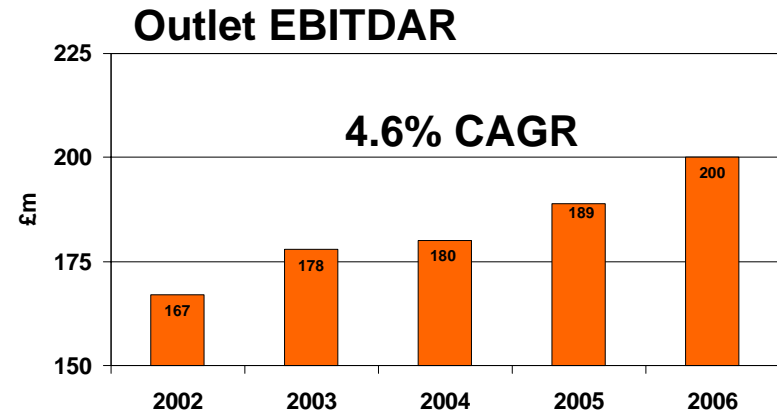
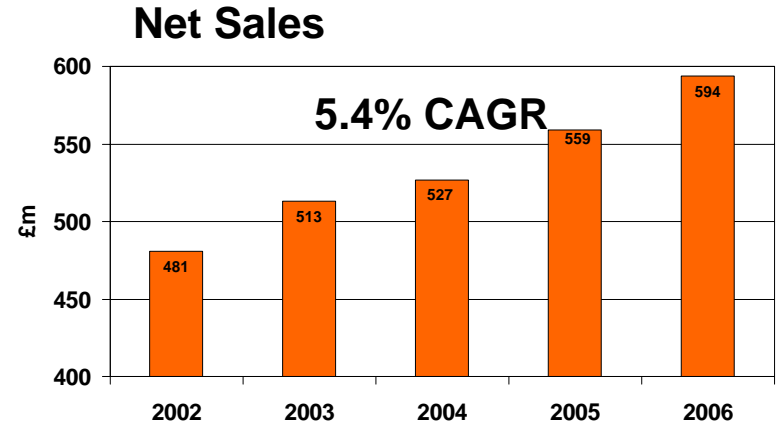


Number of Lettings



Top Quality Core Managed Estate

- Strongly performing estate over sustained period
- Sales and profit growth maintained in the 32 weeks post acquisition
 - Like for like sales up 6.0%
 - Strong food growth up 7.6%
 - Outlet EBITDA up 4.6%
- Pro-forma estate metrics :
 - £17k average sales per week
 - £290k average outlet EBITDAR pa



Source: Spirit Group management accounts

Managed Divisions

Spirit core estate now organised into 3 focused divisions

Value Food

Units	154
Sales:	£161m
Outlet EBITDAR:	£45m
Food sales:	54%

Quality Food

Units	136
Sales:	£150m
Outlet EBITDAR:	£45m
Food sales:	56%

Quality Locals

Units	399
Sales:	£284m
Outlet EBITDAR:	£111m
Food sales:	19%



Note: sales and EBITDAR from 2006 management accounts

Smoking Ban – Scottish Experience

Key Facts

- Smoking solutions developed for all 493 Scottish pubs
- Growth in food sales but some decline in beer sales and machine income.
- Leased estate turnover down c1.5% but rental income remains strong and defaults low
- Managed estate overall sales down 0.1% but food sales up 3.6%

Key Learnings

- Planning and preparation are key
- Pubs with good amenities, strong food offer or good outside drinking area have benefited from the ban
- Retail standards are important. Product quality, range and display



Moorings, South Queensferry



Red Stone Inn, Ayr

Smoking Ban - England and Wales

- Building Awareness:
 - Smoking Action Group in operation since October 2005
 - “BRM Smoking toolkit” to assist business development
 - DVD of experience for retailers to accompany extensive training programme
- Preparing our Pubs:
 - Action plan for every pub : “No Action No option”
 - 95% of pubs have usable outside space
 - 78% of leased and all managed pubs have kitchens
 - £18m specific capex earmarked for smoking solutions
 - Heightened standards measurement and strengthened catering development team



Newcastle smoking seminar



Havelock, Washington

Summary and Outlook

- 2006 was a year of excellent progress. The business has traded well. The Spirit acquisition plan is on track. The future holds much potential
- 2007 has started well, in line with expectations
- In creating the best quality leased and managed estates, we are consolidating our position as the UK's premier pub company whilst retaining the flexibility to maximise future returns for shareholders

Acquisitions and Disposals

Package Transaction	Timing	No of Pubs	Value
Acquisition of Avebury Holdings	Aug 05	409 leased	£219m
Sale to Admiral Taverns	Sept 05	45 leased	£15m
Sale to Admiral Taverns	Dec 05	203 leased	£40m
Acquisition of Spirit Group	Jan 06	1,830 managed	£2,679m
Sale to Petchey Group	Jan 06	205 leased	£98m
Sale to G1 Group	Feb 06	39 leased	£5m
Sale to Orchid (GI Partners)	June 06	290 managed	£571m
Acquisition of Mill House Inns	Sept 06	82 managed	£164m

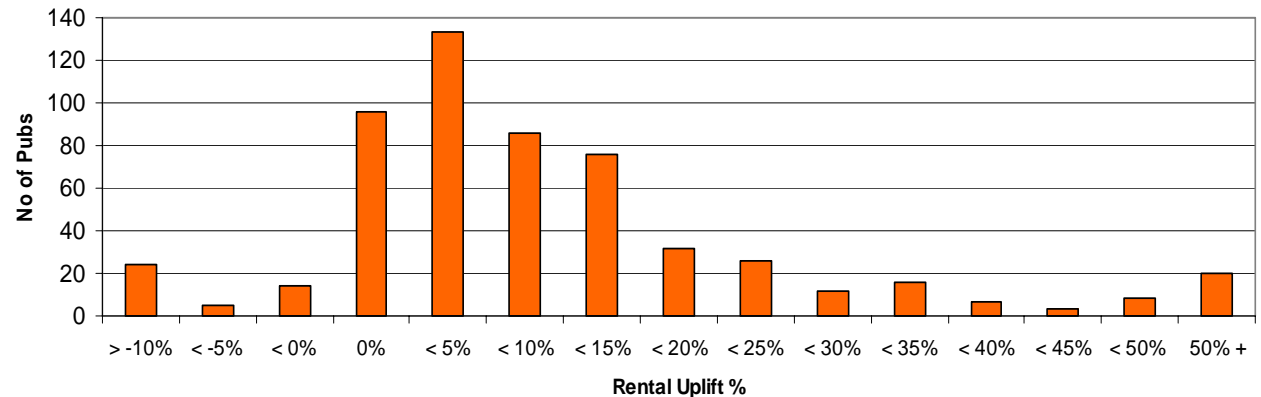
Leased Estate Profit Contribution

52 weeks to 19 August 2006	<u>Original</u>	<u>InnSpired</u>	<u>Avebury</u>	<u>Spirit</u>	<u>Total</u>	<u>growth</u>
Average Pub Numbers	7,074	465	395	11	7,945	2%
Revenue £m						
Beer	426.0	27.6	24.2	1.0	478.8	3%
Rent	190.9	10.7	10.0	0.5	212.1	8%
Machine income	26.3	1.2	2.0	0.1	29.6	5%
Other drinks	62.1	4.6	3.3	0.2	70.2	8%
GRS Inns	12.5				12.5	-23%
Total	717.8	44.1	39.5	1.8	803.3	4%
Gross Margin £m						
Beer	215.2	13.8	10.5	0.5	240.0	3%
Rent	190.6	10.7	10.0	0.5	211.8	8%
Machine income	26.3	1.2	2.0	0.1	29.6	5%
Other drinks	20.4	2.1	1.3	0.1	23.9	19%
GRS Inns	1.3				1.3	-49%
Total	453.8	27.8	23.8	1.2	506.6	5%
Costs	(63.8)	(3.5)	(3.5)	(0.1)	(70.9)	-6%
EBITDA	390.0	24.3	20.3	1.1	435.7	5%
Margin	54%	55%	51%		54%	
EBITDA per pub	£55k	£52k	£51k		£55k	

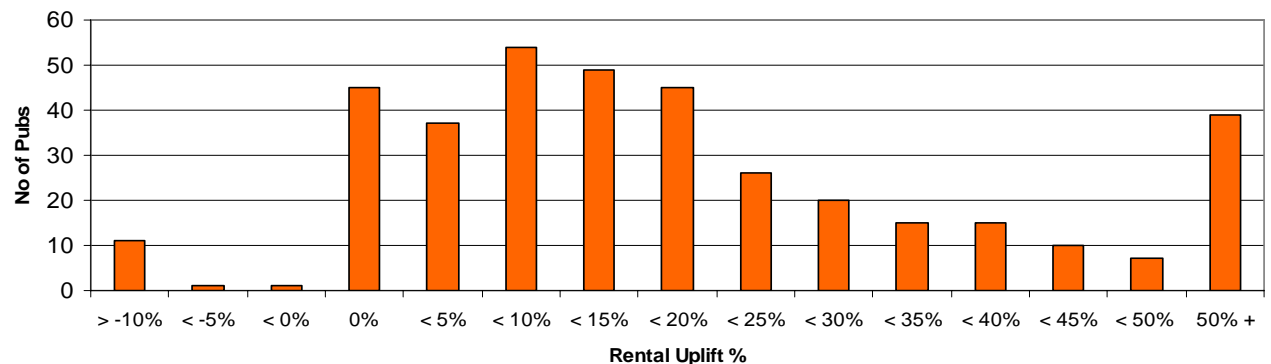
Agreeing Fair Maintainable Rents

- Rent is assessed on the estimated fair maintainable retail profit of the individual pub
- Rent is negotiated and agreed with the retailer
- There are a wide spread of uplifts achieved demonstrating this 'individual' pub approach
- In 2006, 558 rent reviews have been agreed at an average uplift of 8%. 375 new rents have been agreed on lease renewal at an average uplift of 19%.
- In exceptional difficulties, rent concessions are granted. At 19 August 2006 there were 181 concessions, with annualised rental value of £2.7m.

Completed Rent Reviews
2006- Rental uplift achieved



Completed Lease Renewals
2006- Rental uplift achieved



Closing Managed Estate Profit Contribution

£m	Core Estate		Transition estate		Closing Estate		2006 *
		growth		growth		growth	52 weeks
Number of pubs	689		690		1379		1379
Drink	213.1	6.0%	160.1	1.5%	373.2	3.9%	592.1
Food	143.2	7.6%	35.4	-3.2%	178.6	5.2%	282.0
Machines	10.5	-5.1%	11.8	-10.6%	22.3	-8.2%	36.7
Other	11.3	-2.7%	2.6	-8.7%	13.9	-3.7%	21.3
Total Sales	378.1	6.0%	209.9	-0.2%	588.0	3.6%	932.1
Drink	161.9	6.2%	117.5	2.1%	279.4	4.3%	440.4
Food	94.4	9.2%	21.7	0.1%	116.1	7.4%	182.4
Machines	10.5	-5.1%	11.8	-10.6%	22.3	-8.2%	36.7
Other	11.3	-2.7%	2.6	-8.7%	13.9	-3.7%	21.3
Total Margin	278.1	6.4%	153.6	0.6%	431.7	4.2%	680.8
Labour Costs	(96.7)	-7.1%	(51.7)	-1.0%	(148.4)	-4.8%	(236.6)
Utilities	(10.8)	-30.0%	(7.4)	-26.3%	(18.2)	-28.4%	(27.3)
Other pub costs	(39.3)	-6.7%	(26.2)	2.1%	(65.5)	-2.9%	(111.6)
Rent Payable	(19.3)	-2.0%	(9.6)	-3.4%	(28.9)	-2.2%	(45.9)
Outlet EBITDA	112.0	4.6%	58.7	-1.6%	170.7	2.4%	259.4
Outlet EBITDA per pub							£188k

*Source: Spirit Group management accounts

Closing estate represents year end estate less 31 pubs contracted for sale at year end

Value Food Division

Number of Pubs	154
Sales pa	£161m
Outlet EBITDAR pa	£45m
Food % of Sales	54%
Covers per week	1850
Spend per head	£7.10



- **Vision** : Britain's 1st choice for fantastic value everyday meals.
- **Essence** : Warm and friendly food pubs serving good value quality meals.
- **Customers** : Even split of white and blue collar workers with high numbers of over 45 and 25-34 many of whom are female.
- **Customer Occasion** : Can't be bothered to cook.
- **Competitive Advantage** : Food quality and service that exceeds expectations for price paid.

Quality Food Division

Number of Pubs	136
Sales pa	£150m
Outlet EBITDAR pa	£45m
Food % of Sales	56.0%
Covers per week	1300
Spend per head	£10.90



- **Vision** : Exceptional, market leading pub food with service to match.
- **Essence** : High quality pub food, excellent service, cosy and relaxed atmosphere.
- **Customers** : Professional, management and white collar with high number of over 45s. Even split of male and female with many visiting once a month or more.
- **Customer Occasion** : Informal eating out with partner/friends.
- **Competitive Advantage** : Food quality, great service, clean and cared for pubs.

Quality Locals Division

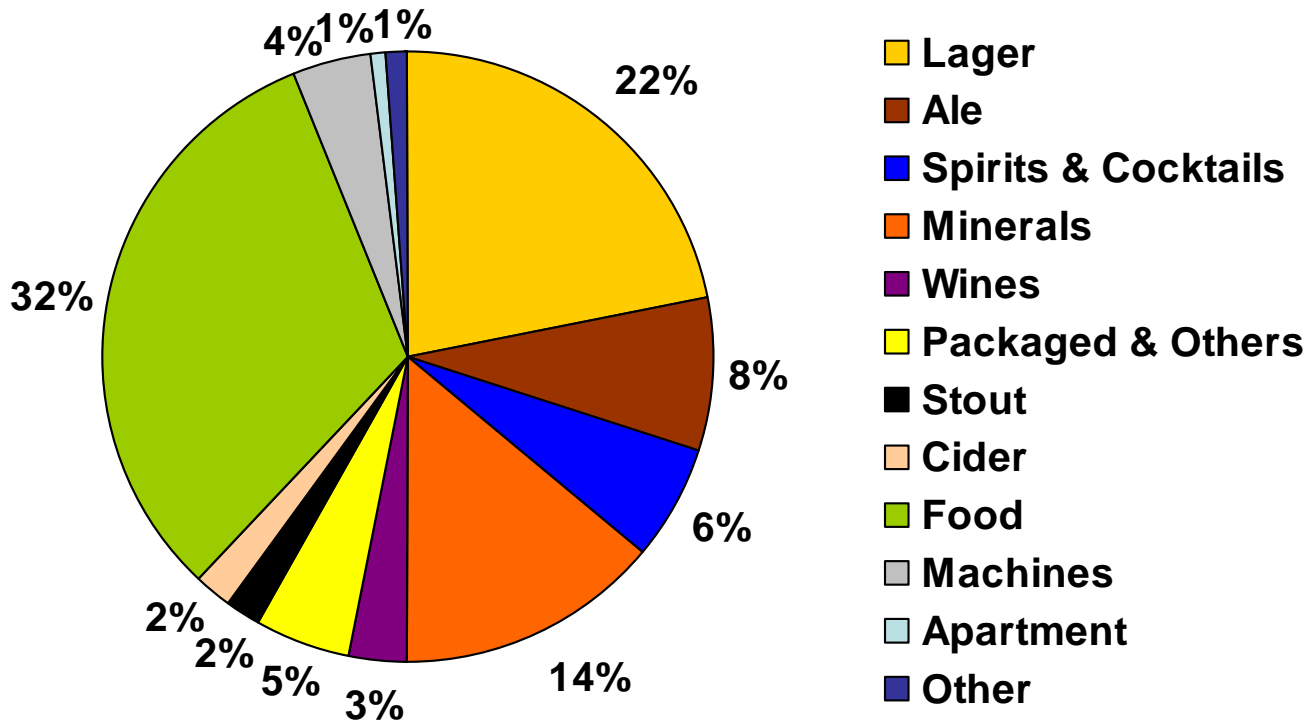
Number of Pubs	399
Sales pa	£284m
Outlet EBITDAR	£111m
Food % of Sales	19%
Covers per week	500
Spend per Head	£6.60



- **Vision** : A great local with a sense of belonging, identity and something to participate in.
- **Essence** : Authentic friendly pubs with great service, products & standards.
- **Customers** :
 London : Large numbers of professional and office workers many visiting once a week or more.
 Locals : Mid market appeal to white and blue collar workers many of whom are over 45 and visiting once a week or more.
- **Customer Occasion** : Friendly drink, food and participation.
- **Competitive Advantage** : The best people delivering the best ranges at great value for money.

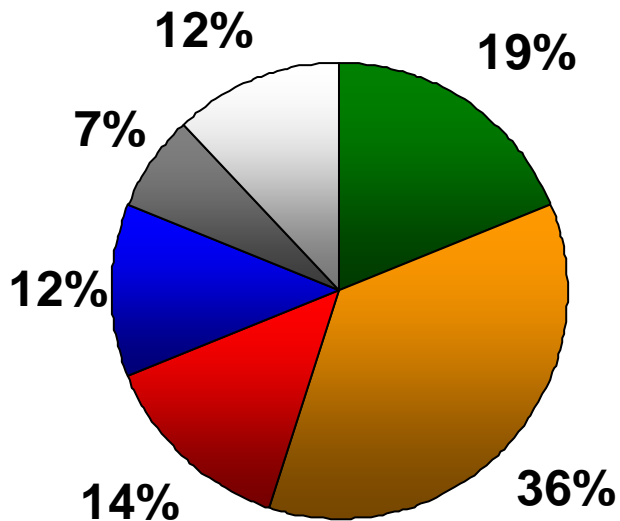
Spirit Sales Mix

Sales by Category (Full Year 2006)

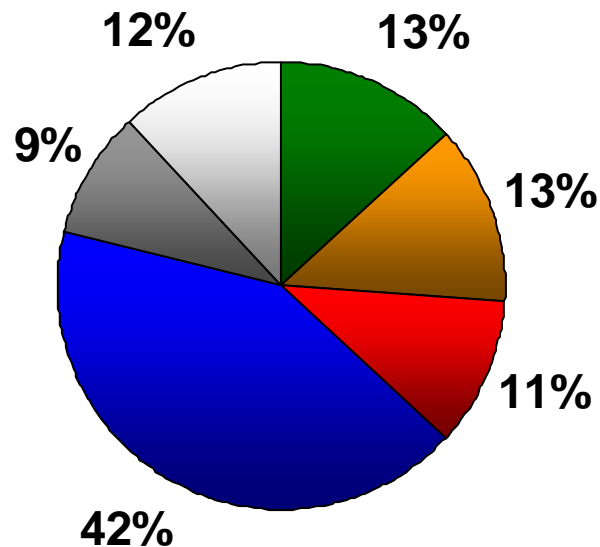


Beer Supply Mix

Punch Leasing



Spirit Managed



■ Carlsberg ■ Coors ■ InBev ■ S&N ■ Diageo ■ Others

Beer mix by supplier (Full Year 2006)