

**PUNCH TAVERNS PLC**  
("Punch" or "the Group")

Punch Taverns plc completed its 52 week financial year on 22 August 2009 and expects to issue its Preliminary results for the same period in mid October.

**TRADING PERFORMANCE**

Trading results to date continue to reflect the challenging market conditions being faced across the sector. The wider recessionary economic conditions have significantly reduced consumer confidence and impacted the level of disposable income being made available for leisure activities.

Although we anticipate that demand levels are unlikely to improve in the near term, we remain on track to meet our expectations for the financial year. Trading performance in the fourth quarter of the financial year has shown that our actions to stabilise performance are seeing some success. Trading conditions across the quarter have inevitably reflected the varied weather conditions experienced. Whilst late June and early July benefited from good summer weather, the remainder of the summer has been unhelpful to trade, particularly the high level of rainfall seen in July.

**Leased Estate**

The focus throughout the year to date has been upon stabilising performance which has seen us arrest the rate of decline reported across the first quarter of the financial year. There has been no material change in like for like EBITDA for the 52 weeks ended 22 August to that previously reported, being down by c.11%. Our programme to dispose of non-core assets has further reduced EBITDA in the year by approximately £6 million (c.£29 million annualised).

Trading performance continues to be impacted by a combination of weaker beer volumes and a softening in rents, coupled with the previously reported increase in the levels of licensee support.

In this difficult economic environment, we continue to believe it is important to proactively support our licensees, where appropriate, in the form of rent concessions and increased product discounts. Levels of financial support have continued to remain relatively steady at an average cost of £1.6 million per month, being more than double the level of support being provided in the previous year.

Earlier this year, we established a "Turnaround Division" of c.1250 pubs which were experiencing the most difficulty. These pubs are managed outside of our normal regional structure to ensure that they are given much closer operational support and attention. As we have successfully disposed of over a third of these non-core sites, we have continued to review the quality of our estate and as result, a further 450 pubs have been identified which will shortly be transferred to this division.

**Managed Estate**

As with the Leased estate, management actions have been focused on stabilising business performance by trading the business more actively through; heightened promotional activity, sharper pricing, new food menus across all sectors and improved service. Like for like sales for the 52 weeks ended 22 August are estimated to be down by 1.4%, analysed as being down 2.3% in the first half year and down 0.6% in the second half year. Our programme to dispose of non-core assets has further reduced EBITDA in the year by approximately £3 million (c.£11 million annualised).

Over the last six months, greater focus has been given to the rollout of our new Operational Excellence programme. This is the largest people change programme ever undertaken by the business and is designed to deliver industry leading operational standards. The programme rollout will be completed over the next financial year and represents a significant commitment of management time and effort in each and every pub.

As detailed at the time of our interim results announcement, operating margins continue to be impacted by above inflation regulatory, food and energy cost increases together with promotional discounts to drive sales. However, due to our improved trading performance and tighter cost control, operating margin for the 52 weeks ended 22 August is estimated to be down by c.350 basis points, analysed as being down 400 basis points in the first half year and down 250 basis points in the second half year.

## **CAPITAL STRUCTURE**

In the light of the challenging trading conditions we will continue to look at further opportunities to increase cash flow and repay debt by taking actions to reduce costs and realising value from the disposal of non-core assets. Disposal proceeds in the 52 weeks to 22 August 2009 were in excess of £400 million, realised an average multiple of not less than 10 times EBITDA and were immediately earnings accretive after retiring Group debt.

Our strong operational cash flow together with our successful disposals programme has enabled us to substantially strengthen our balance sheet. Since the beginning of the financial year we have repaid £708 million of debt, £698 million of which was ahead of schedule, at a cost of c.£473 million.

Additionally, on 3 July 2009 we announced that our placing and open offer had been completed successfully raising net funds in excess of £350 million. As previously announced, these funds will be used to facilitate the repayment of the Group's Convertible Bonds (due December 2010) and for the repurchase of securitisation notes at a discount to par (if appropriate opportunities arise) which in turn will assist the Group in providing covenant headroom under the securitisations.

As a result of these actions, net debt has been reduced by more than £1 billion, or c.23%, since the beginning of the year. Further, we anticipate that the restricted payment condition will be met both within the Punch A and Punch B securitisations this financial year which will enable further cash to be upstreamed to the plc level.

## **OUTLOOK**

While we are confident of the longer term prospects for the Group and our expectations for the full year remain unchanged, we remain cautious over the near-term due to the lack of forward visibility on trading outlook.

### **Enquiries;**

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