Punch Taverns plc

2008 Preliminary Results

November 2008

Forward Looking Statements

This presentation may contain certain statements about the future outlook for Punch. Although we believe our expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different

Results Highlights

- Resilient performance given smaller pub estate, smoking ban, consumer downturn and credit crunch
- Results in line with expectations
- Strong cash generation with free cash flow before investment of £298m (£200m last year)
- Prudent decision to utilise cash to reduce debt levels
- Gross debt reduced by £243m including actions taken post year end
- Conservative view of property valuations reflected in balance sheet
- Property valuation £2.0bn more than net debt

Prudent Long Term View

2006/7

- Disposal of c.1,000 non core pubs ahead of the smoking ban
- £825m refinancing – bank debt reduced to £43m

2007/8

- All bank debt repaid
- Resisted pressure to increase leverage and buy back shares
- Considered synergistic M&A transactions
- Implemented cost saving programme - £10m target achieved in current year
- Individual pub acquisition programme curtailed
- Final dividend suspended

2008/9

- Repurchase and cancellation of bonds
- Plans for further pub disposals
- Identified further cost savings
- Continue to operate with significant headroom to financial covenants

FINANCIAL REVIEW

Resilient Earnings from Smaller Pub Estate

	2007/08 **53 weeks**	2006/07 52 weeks	% Change	% Change average per pub
Average number of pubs	**8,442**	9,064	(7)%	
Leased	490	479		
Managed	130	183		
Share of JV	3	2		
EBITDA	**623**	664	(6)%	(1)%
Depreciation & amortisation	(63)	(57)		
Operating profit	**561**	607	(8)%	(3)%
Interest	(299)	(328)		
Profit on asset sales	0	3		
Profit before tax	**262**	282	(7)%	(2)%
Tax	(49)	(58)		
Net profit	**214**	224	(5)%	
EPS	**80.2p**	84.4p	(5)%	

Figures exclude exceptional items

Throughout this document the results are positively impacted by an additional weeks trading relative to last year; like for like measures and profit per pub are shown on an equivalent 52 week basis

Leased Estate

	2007/08 **53 weeks**	2006/07 52 weeks	Change average per pub
Average number of pubs	**7,572**	7,873	
Revenue	**858**	845	4%
Gross profit	**563**	554	4%
Costs	(73)	(75)	1%
EBITDA	**490**	479	4%
Operating profit	**469**	462	4%
Operating margin %	**54.7%**	54.6%	0.1% pts

Quality

- 4% reduction in average estate size
- EBITDA per pub up 4% (benefiting from estate churn)

Earnings

- Like for like pub contribution down 3.4%
- Operating margin maintained

Leased Operating Statistics

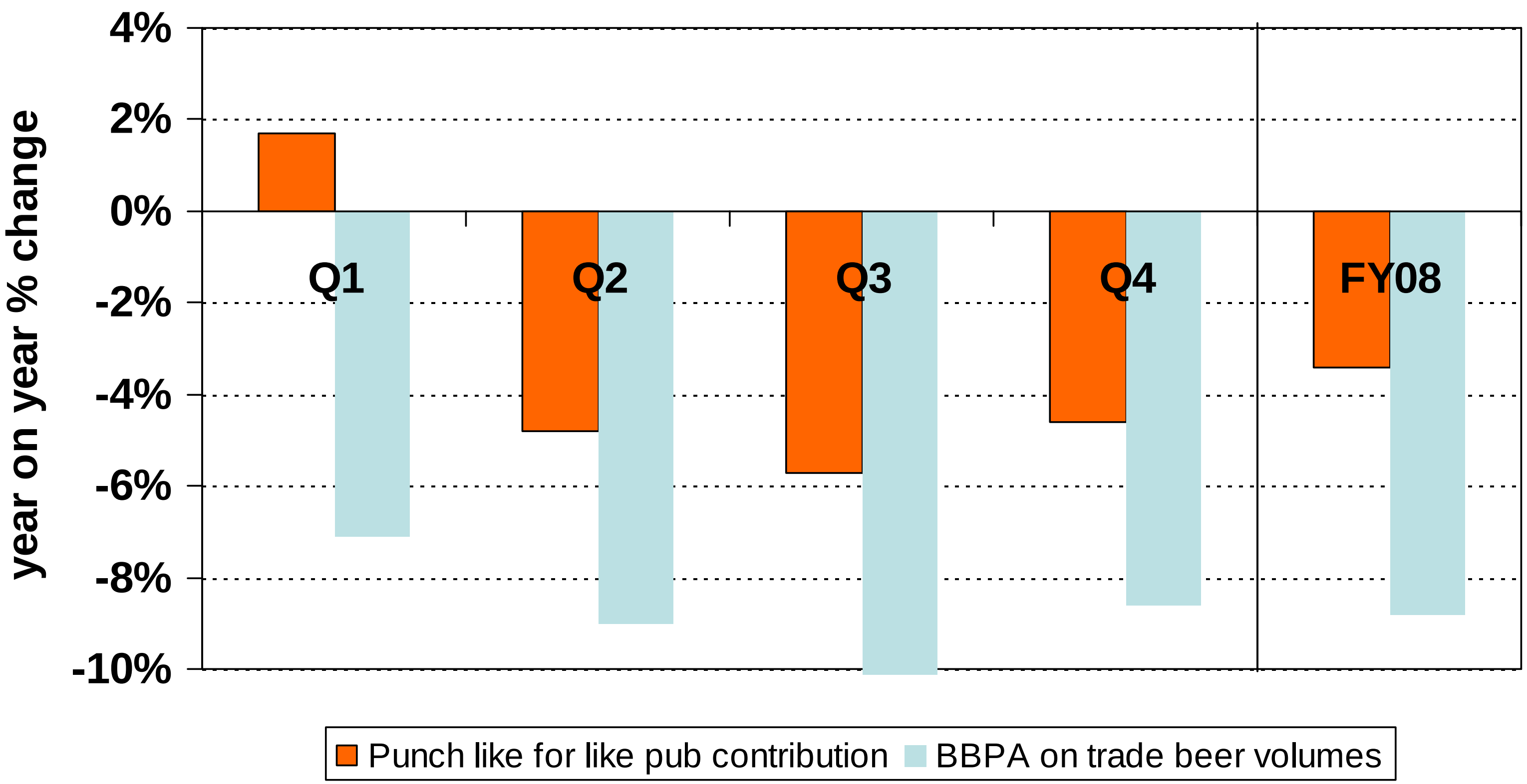
Like for like revenue

	2007/08	2006/07
Drink	(5.6)%	(0.8)%
Rent	2.1%	4.5%
Machines	(12.5)%	0.1%
	(3.7)%	**0.6%**

Operating margin movement

	2007/08	2006/07
Beer	(0.5)%	1.2%
Mix	0.5%	0.5%
Gross profit	**0.0%**	**1.7%**
Rent payable	(0.8)%	(0.2)%
Other costs	1.2%	0.1%
Depreciation	(0.3)%	(0.1)%
Overall movement (% points)	**0.1%**	**1.5%**

Leased Like for Like Analysis



Managed Estate

	2007/08 **53 weeks**	2006/07 52 weeks	Change average per pub
Average number of pubs	**870**	1,191	
Revenue	**703**	860	10%
Gross profit	**507**	631	8%
Costs	(377)	(449)	(13)%
EBITDA	**130**	183	(4)%
Operating profit	**88**	144	(17)%
Operating margin %	**12.6%**	16.7%	(4.1)% pts

Quality

- 27% reduction in average estate size
- Revenue per pub up 10%
- EBITDA per pub down 4%

Earnings

- Like for like sales down 3.3%
- Like for like outlet EBITDA down 14%

Managed Operating Statistics

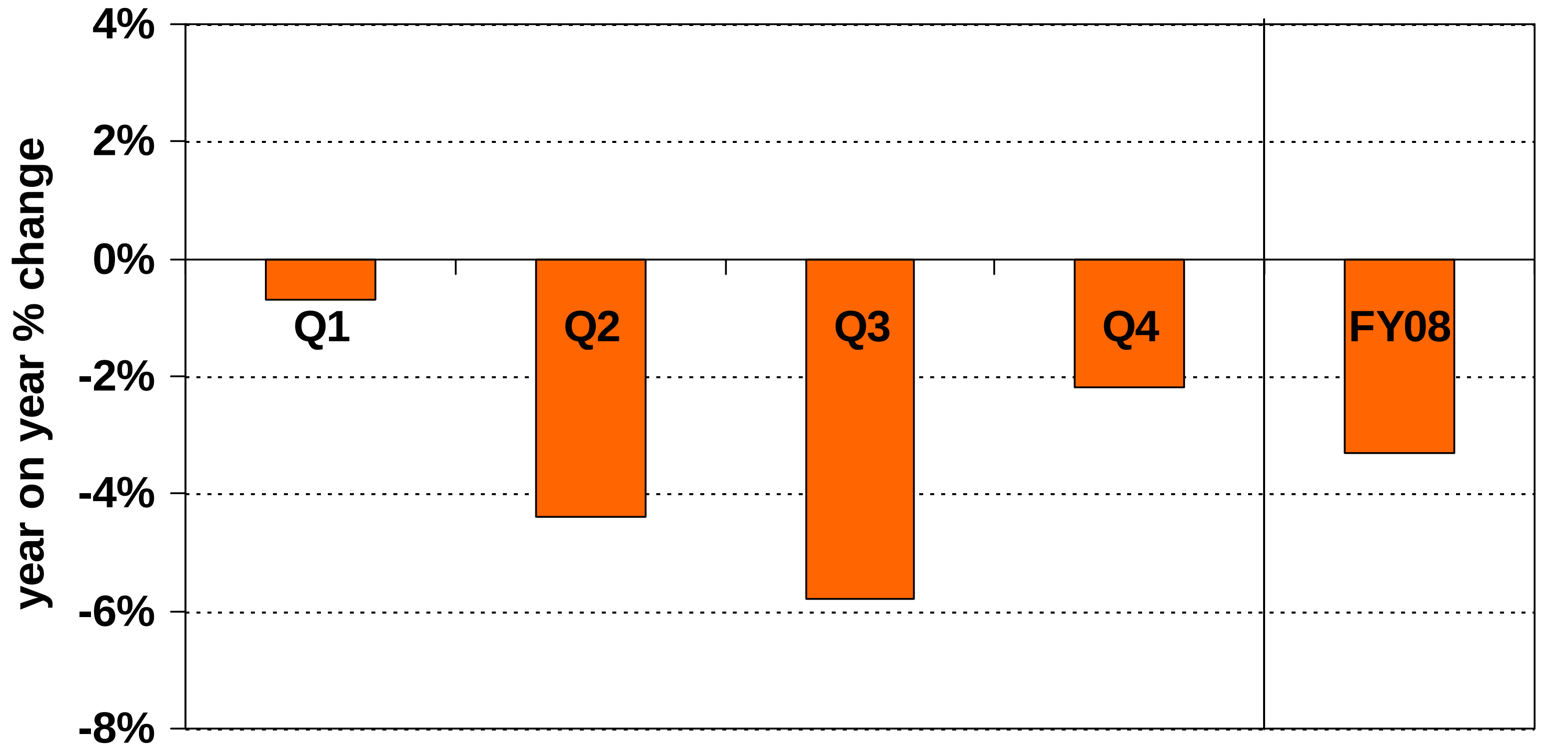
Like for like revenue

	2007/08	2006/07
Drink	(4.6)%	2.3%
Food	(0.4)%	5.8%
Machines & Other	(10.0)%	1.0%
	(3.3)%	**3.5%**

Operating margin movement

	2007/08	2006/07
Drinks	(0.4)%	0.8%
Food	0.0%	(0.5)%
Mix	(0.8)%	(0.1)%
Gross profit	**(1.2)%**	**0.2%**
Labour costs	(1.3)%	(0.2)%
Utilities	0.1%	(0.6)%
Rent payable	(0.4)%	0.1%
Other pub costs	(0.4)%	(0.9)%
Support costs	0.5%	(0.3)%
Depreciation	(1.4)%	(0.4)%
Overall movement (% points)	**(4.1)%**	**(2.1)%**

Managed Like for Like Revenue Analysis



PASSIONATE ABOUT OUR PUBS

Exceptional Items

Exceptional items – £278m charge after tax

	Non cash	Cash	Total
Restructuring costs	-	(14)	(14)
Provision on reversion of 4 onerous leases	(3)	-	(3)
Pub impairment	(295)	-	(295)
Interest rate swap mark to market	(31)	-	(31)
Tax	53	12	65
	(276)	(2)	(278)

Property Update and Valuation

- Property value of £6.4bn in year end accounts
    - Impairment charge of £295m
    - Assets held at cost; accounting standards require reductions in value to be booked, uplifts in value not recognised
    - 500 pubs identified for potential disposal

- External valuation of £6.5bn
    - Recognises reduction in trading in the year
    - Exceeds book value by £0.1bn, not recognised in the accounts

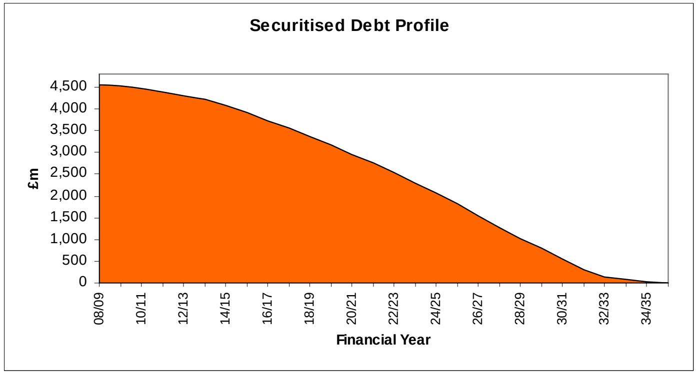
Strong Balance Sheet

£m	**August 2008**	**August 2007**
Fixed assets & investments	6,467	6,703
Net debt (nominal value)	(4,531)	(4,655)
	1,936	2,048
Other	(343)	(311)
Net assets	1,593	1,737

- 94% of estate freehold or long lease
- Pension scheme well funded

Stable Long Term Debt

Debt Structure	Nominal Value £m		
	28 Oct 2008	Aug 2008	Aug 2007
Securitised debt			
Punch A	1,990	2,068	2,100
Punch B	1,223	1,249	1,249
Spirit	1,250	1,250	1,250
Total	4,463	4,567	4,599
Bank debt	0	0	43
Convertible bonds[1]	217	285	281
Gross Debt	4,680	4,852	4,923



Debt Repayment Schedule

	Securitised Debt	Convertible
2008/09[2]	£10m	
2009/10	£43m	
2010/11	£67m	£224m

- Weighted average life of securitised debt is 19 yrs
- Weighted average cost of debt is 6.6%[3]
- Interest cover maintained at 2.0x EBITDA

[1]Including accretive value at balance sheet date
[2] Post 28 October 2008
[3] Effective interest rate calculated as interest expense over nominal value of debt

Financial Covenants

DSCR	4 Qtr (actual)[1]	Covenant[2]	Indicative Headroom
- Punch A	1.58x	1.25x	26%
- Punch B	2.13x	1.50x	42%
- Spirit (default)	1.95x	1.30x	50%

Net Worth	August 2008[3]	Covenant[4]	Indicative Headroom
- Punch A	£704m	£200m	£504m
- Punch B	£506m	£125m	£381m

- Significant headroom exists in the DSCR and Net Worth financial covenants

[1] Figure shown is the FY08 4-quarter look back ratio
[2] DSCR covenants are tested quarterly on a 2-quarter and 4-quarter look back
[3] As reported in the Quarter 4 bondholder report
[4] Net worth covenant tested annually

Cash Generation

Cash Generation (£m)	2007/08	2006/07	2008/09 Positioning
EBITDA	623	664	
Operating cash flow	600	551	
Pension	(13)	(3)	(3)
Interest	(310)	(329)	(305)
Tax received/(paid)	21	(19)	(20)
Free cash flow before investment	**298**	**200**	
Investment - Leased	(69)	(117)	(50)
Investment - Managed	(67)	(85)	(70)
Disposals	35	53	50
Acquisitions	(24)	(81)	0
Package acquisitions & disposals	-	294	
Free cash flow	**173**	**264**	
Dividends	(42)	(37)	
Cash flow pre financing	**131**	**227**	

- Significant cash generation into 2009

Balance Sheet Management

- Strong cash generation, £173m free cash flow
- Implied reduction in gross debt through to December 2010 in excess of £400m compared to August 2007

HOWEVER

- Concerns over accessibility of cash generated to plc
- Convertible is due for redemption in December 2010

Improved Debt Service Cover

Punch A

- Intra Group assets disposal (£50m Spirit, £30m plc)
- £77m A3 notes redeemed at 95% of nominal
- FY09 Debt Service reduced by 12%

Punch B

- £25m A8 notes redeemed at 80% of nominal
- Efficient use of securitisation surplus cash, £5m saved and reduced interest expense

Spirit

- £50m 'trapped cash' used to acquire intra Group assets
- Additional £5m EBITDA added to the securitisation

Improved plc Resources

- Dividend policy reviewed
- £30m Punch A assets acquired to improve flexibility and upstreaming headroom
- Pub acquisition activity ceased early FY2008
- Estate review completed and disposal programme determined
- Renewal of undrawn £50m working capital facility

Plc Resources for Convertible Bond Redemption

Main Sources	£m
Plc cash balance at 28 October 2008 (post financing activity)	36
Punch A 07/08 outstanding cash upstream	28
FY09 upstream from Punch A & B (assumed same as FY08 for illustrative purposes)	137
Unsecuritised assets	115
FY10 securitisation upstream (assumed tax only)	38
	354
Main Uses	
Tax payments FY09 & FY10	(70)
Convertible bond interest to December 2010	(26)
	(96)
	258
Redemption value of outstanding convertible	224

In addition we have a £50m revolving credit facility

Financial Review Summary

- Resilient performance given smaller pub estate, smoking ban, consumer downturn and credit crunch
- Results in line with expectations
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Business Review

Punch Strategy
Punch & the Licensed Trade

c. 130,000 On Licensed Premises in UK

c. 30,000
Leased & tenanted pubs

c. 90,000
Independent bars, freehouses, hotels, restaurants & clubs

c. 10,000
Managed pubs

Punch Taverns — 7,560 pubs

Matthew Clark — c. 20,000 customers

Spirit — 864 pubs

The Market

- Short term market conditions remain challenging for all companies
  - Credit crunch
  - Inflationary pressures
  - Poor summer
  - Cheap off trade alcohol
  - Changed customer base post smoking ban

- Significant opportunities in the longer term
  - Fewer pubs
  - Growing population
  - Materially satisfied with greater leisure spend propensity
  - 2012 Olympics

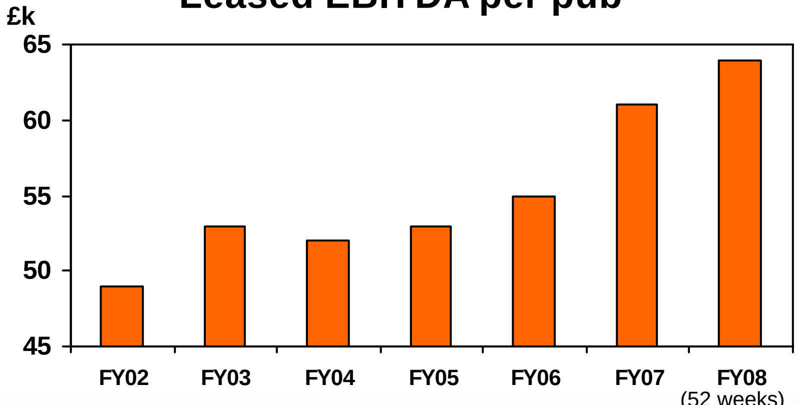
Leased Business

Improved estate quality

Leased Pub Numbers	FY02	IPO	FY03	FY04	FY05	FY06	FY07	FY 08	Cumulative
Start of Year	**4,160**	**4,249**	**4,302**	**4,515**	**7,334**	**8,227**	**7,846**	**7,561**	**4,160**
Pubmaster				3,115					3,115
InnSpired					1,064				1,064
Avebury					409				409
Other Acquisitions	187		283	80	106	96	85	19	856
Lease conversions						74	563	20	657
Disposals	(45)		(70)	(376)	(686)	(551)	(933)	(40)	(2,701)
End of Year	**4,302**		**4,515**	**7,334**	**8,227**	**7,846**	**7,561**	**7,560**	**7,560**

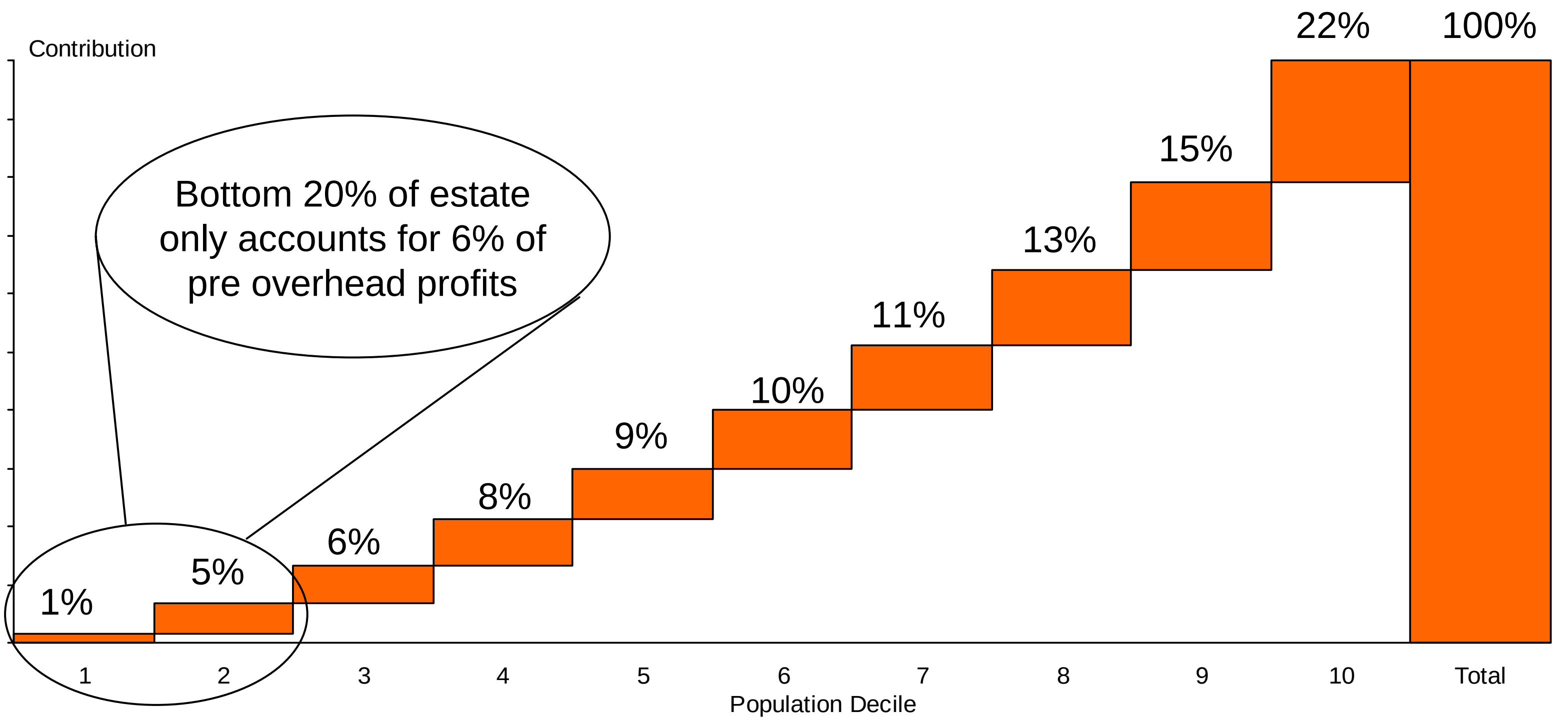
- Repositioning over last 5 years has improved the quality of the estate
- Majority of licensees are performing well

Leased EBITDA per pub



Leased Business

Profit contribution by decile



- Highly diversified business with limited exposure to unsustainable pubs
- Identified c.500 pubs which are unlikely to generate sustainable long term profit growth, these pubs generated a profit of £10m in FY08

Leased Business

Majority of licensees are performing well

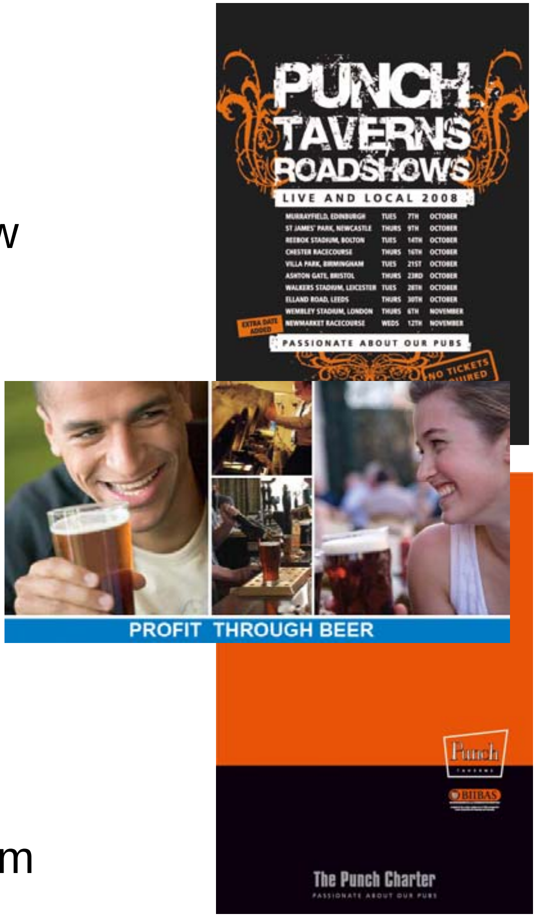
- **FY08 indicators robust despite tougher trading conditions**
  - 89% of pubs are on substantive agreements and have generated profit growth
  - Only 3% of pubs are closed
  - 41% of pubs grew beer income
  - Average lessee profitability is slightly down on the half year position, but remains in line with last year
  - 485 assignments at an average premium of £71k
  - Over 5,000 applicants and 852 lettings in the year
  - 4% average uplift on rent review (9% of reviews resulted in rent reductions, and 24% saw no change)
  - 13% average uplift on lease renewal

Leased Business

Industry Leading Support

- **Levels of support maintained in 2008**
  - 8,835 lessee training days
  - Catering support for 1,200 licensees to introduce a new food offer or further develop existing offer
  - 303 beer and cider brands available to lessees
  - Record attendance at our 4th year of roadshows
  - Invested in 985 pubs with our lessees
  - £69m invested in the estate this year
  - Absorbed latest brewers wholesale price increases

- **Additional support to licensees where appropriate**
  - 407 rent concessions with an annualised value of £6.3m
  - Non standard discounts increased by £6m p.a.



Managed Estate Transition – Major Change Programme

Spirit Acquisition → Reshape Estate → Focused Business → Operational Focus

Jan 2006
- **Acquisition 1,830 pubs**
- **(657) Lease Conversions**
- **(70) Other Disposals/Acquisitions**
- **Rescale Organisation Support costs £63m**

Jun 2006
- **(290) GI Partners**

Sep 2006
- **82 Mill House Inns**
- **(31) Regent Inns**

August 2008
- **864 pubs**
- **(49) further conversions**
- **Support costs £34m**

Spirit Business Review

- Recognising the Starting Point
- Realising the Potential
- Progress to date
- Outlook

The Starting Point

- Some of the Best **PUBS** / Locations in the UK, but…
  - Not all maximising market opportunity
- Some Great **PEOPLE** but…
  - Overall calibre below par
  - Focussed on too many priorities
- Some memorable **CUSTOMER EXPERIENCES**, but…
  - Operations disciplines inconsistent
- Some good **CONCEPTS / BRANDS**, but…
  - No longer ‘Best in Class’
  - Market coverage gaps
- Strong **COST CONTROL**, but …
  - Less focus on Customer / **SALES**
- Structures and **PROCESSES** designed for estate of 2,000 pubs

Realising the Potential

1. "Creating the Best Pubs in each market" = Estate/Asset optimisation

- Bottom-Up / Top-Down; Site by Site – Opportunity Assessment

  → 2/3 year Capex Prioritisation Plan
- Concept Development Plans – C&B/241; Portfolio Gaps

2. "Consistent Customer Experience" = Operational Excellence

- Operating Standards – "Hardlines / Guidelines" (P/S/E)
- Simplifying "Ways of Working"
- Focused Measures / Audit / Action Plans

Realising the Potential

3. "Maximising Results/Returns" = Performance Management

- Maximising Sales & Margin – Central & Local
- Minimising Costs – COGs / Labour / Utilities / Overhead
- Investing Wisely - 20% reduction per square metre
- Formal Performance Reviews – all levels

4. "Accelerating Success" = People & Process

- Structures – Central / Field
- Fast Decision-Making / Review
- Simplification and Reduction of Admin

Progress to Date (1)

- Estate / Condition Plan Completes – Nov ’08

- Chef & Brewer
  - Menu fully re-vamped
  - Service enhanced
  - Environment transformed

- Two For One
  - Menu improved
  - New schemes / Value engineered

- Operating Standards / Audit Process – Jan/Feb ’09
- Web-based M.I.S. Portal in place / Back Office review underway

Progress to Date (2)

- Central Marketing Plans Re-focused and Up-weighted: Costs Held
- Local Sales Plans and Incentives in place
- Drinks Pricing Revised / Simplified
- Labour Planning – Phase 1 in place
- COGs – Great Position on Drinks; Improving Position on Food
- Investments Accelerated – 241 / 241 Pubs / Metro
- Central & Operation Structures Revised; Costs Reduced; Calibre Rising
- Accountabilities and Internal Process Review Implemented
- Culture Transformation Commenced
    - Focus / Pace / Performance

The Future

- Great Potential – Every Pub!
- Challenging Trading – not the first time
- Well positioned in a ‘Value’ focused market
- Focused Capex plan to take advantage
- Confidence in ability to execute

Summary and Outlook

- Short term trading conditions for the sector remain challenging
- UK consumer environment is weakening
- Management actions will be based on the assumption that there will be no improvement in trading in the near term
- Maintained significant headroom to financial covenants
- Strong position to ensure future cash flows are available to Group
- Remain optimistic about longer term prospects

Appendices

Estate Size

	Leased	Managed	Total
August 2006	7,846	1,410	9,256
August 2007	7,561	887	8,448
Acquisitions	19	1	20
Lease conversions	20	(20)	
Disposals	(34)	(5)	(39)
Other	(6)	1	(5)
August 2008	7,560	864	8,424
net change	*0%*	*(3%)*	*0%*
Average estate size	7,572	870	8,442
decrease on last year	*(4%)*	*(27%)*	*(7%)*

- Smaller, better quality estate following strategic disposals completed in 2007

Leased Operating Profit

	2007/08 53 weeks	2006/07 52 weeks	Change average per pub*
Average number of pubs	**7,572**	7,873	
Beer	492	498	1%
Rent	252	236	9%
Machines	30	32	(4%)
Other	83	79	7%
Total Revenue	**858**	**845**	4%
Beer	249	257	(1%)
Rent	252	235	9%
Machines	30	32	(4%)
Other	32	30	9%
Total Gross Profit	**563**	554	4%
Rent Payable	(14)	(7)	(107%)
Other Costs	(59)	(68)	11%
EBITDA	**490**	479	4%
Depreciation	(21)	(18)	(21%)
Operating profit	**469**	462	4%
Operating margin %	54.7%	54.6%	0.1% pts

* Adjusted for an equivalent 52 week basis

Managed Operating Profit

	2007/08 53 weeks	2006/07 52 weeks	Change average per pub*
Average number of pubs	**870**	1,191	
Drinks	395	519	2%
Food	269	286	26%
Machines & other	39	55	(5)%
Total Revenue	**703**	**860**	**10%**
Drinks	299	397	1%
Food	171	182	26%
Machines & other	37	53	(7)%
Total Gross Profit	**507**	**631**	**8%**
Labour costs	(190)	(222)	(15)%
Utilities	(26)	(33)	(8)%
Other pub costs	(88)	(104)	(13)%
Rent Payable	(39)	(45)	(19)%
Support Costs	(34)	(46)	1%
EBITDA	**130**	**183**	**(4)%**
Depreciation	(42)	(39)	(43)%
Operating profit	**88**	**144**	**(17)%**
Operating margin %	12.6%	16.7%	(4.1)% pts

* Adjusted for an equivalent 52 week basis

Securitisation Summary – data sheet

	Punch A	Punch B	Spirit
Pub numbers			
Managed	-	-	776
Leased	3,876	2,749	629
Total	3,876	2,749	1,405
EBITDA - pro forma (£m)	254	157	185
EBITDA/pub (£000's)	66	57	132
Debt at 28 October	1,990	1,223	1,250
Debt to EBITDA	7.8x	7.8x	6.8x

*Adjusted to 52 weeks and post October 2008 pub transfers

Punch A securitisation – data sheet

	FY08	FY09	FY10	FY11
EBITDA	267			
Interest receivable	4			
Interest payable	(147)	(140)	(137)	(136)
Capital payable[1]	(27)	(14)	(18)	(30)
DSCR	1.58x			

	FY09	FY10	FY11
EBITDA adjustment: pubs sold - Oct 08 financing	(7)	(8)	(8)
FY08 week 53 adjustment	(5)	(5)	(5)

Financial DSCR covenant 1.25x	FY09	FY10	FY11
- Indicative EBITDA to meet DSCR covenant	187	189	202
- headroom vs FY08 (adj for Oct'08 financing & wk 53)	27%	26%	21%

Up-stream (RPC) test 1.50x	FY09	FY10	FY11
- Indicative EBITDA to meet RPC test	224	226	242
- headroom vs FY08 (adj for Oct'08 financing & wk 53)	12%	11%	5%

- October 2008 financing:
  - £77m A3 notes repaid and cancelled for £73m
  - Funded through the sale of £50m of pubs to Spirit and £30m to the unsecuritised group
  - FY09 & FY10 Debt Service reduced by £22m in each year
- Proforma Financial Covenant headroom based on FY08:
  - FY09 - 27%; £68m
  - FY10 - 26%; £65m
- Cash upstream tested annually on a 1-quarter and 4-quarter look back

[1]Calculated on an accruals basis

Punch B securitisation – data sheet

	FY08	FY09	FY10	FY11
EBITDA	160			
Interest receivable	4			
Interest payable	(79)	(76)	(76)	(74)
Capital payable[1]	-	-	(22)	(35)
DSCR	2.13x			
FY08 week 53 adjustment		(3)	(3)	(3)

Financial DSCR covenant	FY09	FY10	FY11
- DSCR covenant ratio[2]	1.50x	1.25x	1.25x
- Indicative EBITDA to meet DSCR covenant	109	117	131
- headroom vs FY08 (adj for wk 53)	31%	26%	17%

Up-stream (RPC) test[2]	FY09	FY10	FY11
- DSCR up-stream test ratio	1.85x	1.50x	1.50x
- Indicative EBITDA to meet RPC test	134	140	157
- headroom vs FY08 (adj for wk 53)	15%	11%	0%

- October 2008 financing:
  - £25m A8 notes repaid and cancelled for £20m
  - Efficient use of surplus cash
- Proforma Financial Covenant headroom based on FY08:
  - FY09 - 31%; £48m
  - FY10 - 26%; £40m
- Cash upstream tested semi-annually on a 1-quarter and 4-quarter look back

[1]Calculated on an accruals basis
[2] Ratios step down between August 2009 and August 2010

Spirit securitisation – data sheet

	FY08	FY09	FY10	FY11
Free Cash Flow	165			
Debt Service	(85)	(83)	(83)	(83)
Synthetic Debt Service	(100)	(99)	(99)	(99)
DSCR	1.95x			
DSCR - opflex	1.64x			

	FY09	FY10	FY11
EBITDA adjustment: pubs acquired - Oct'08 financing	4	5	5
FY08 week 53 adjustment	(3)	(3)	(3)

Financial DSCR covenant 1.30x	FY09	FY10	FY11
- Indicative Free Cash Flow to meet DSCR covenant	108	108	108
- headroom vs FY08 (adj for Oct'08 financing & wk 53)	35%	35%	35%

Up-stream (RPC) Opflex test 1.70x	FY09	FY10	FY11
- Indicative Free Cash Flow to meet RPC test	167	167	167
- headroom vs FY08 (adj for Oct'08 financing & wk 53)	-1%	0%	0%

- October 2008 financing:
  - Acquired pubs valued at £50m from Punch A
  - Efficient use of security net cash
- Proforma Financial Covenant headroom based on FY08:
  - FY09 - 35%; £58m
  - FY10 - 35%; £59m
- Cash upstream tested semi-annually on a 1-quarter and 4-quarter look back

[1]Calculated on an accruals basis