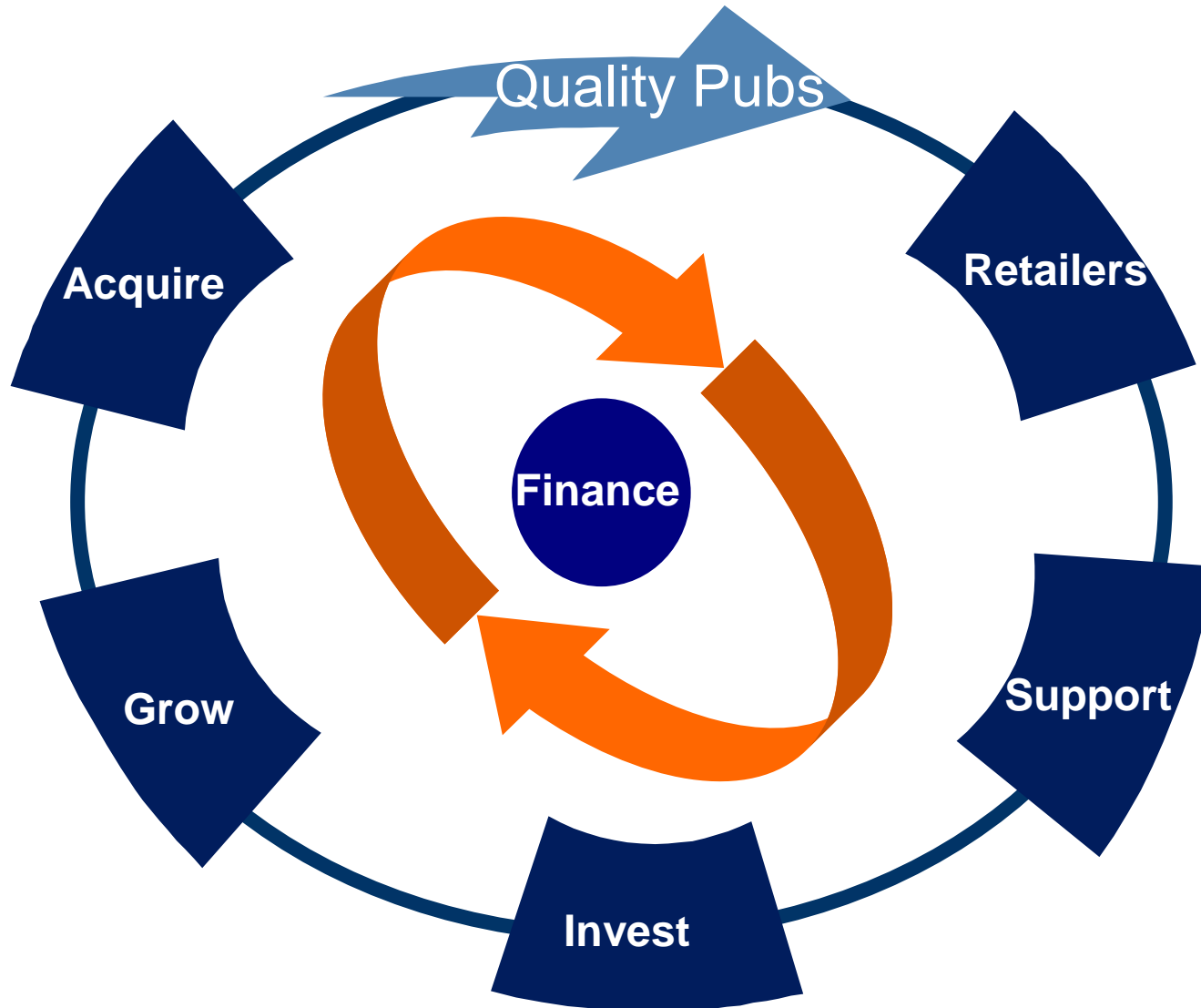


Punch Taverns plc

Acquisition of InnSpired



Punch in Action



- Leveraging value from InnSpired
- The retail proposition
- Support, innovate and grow

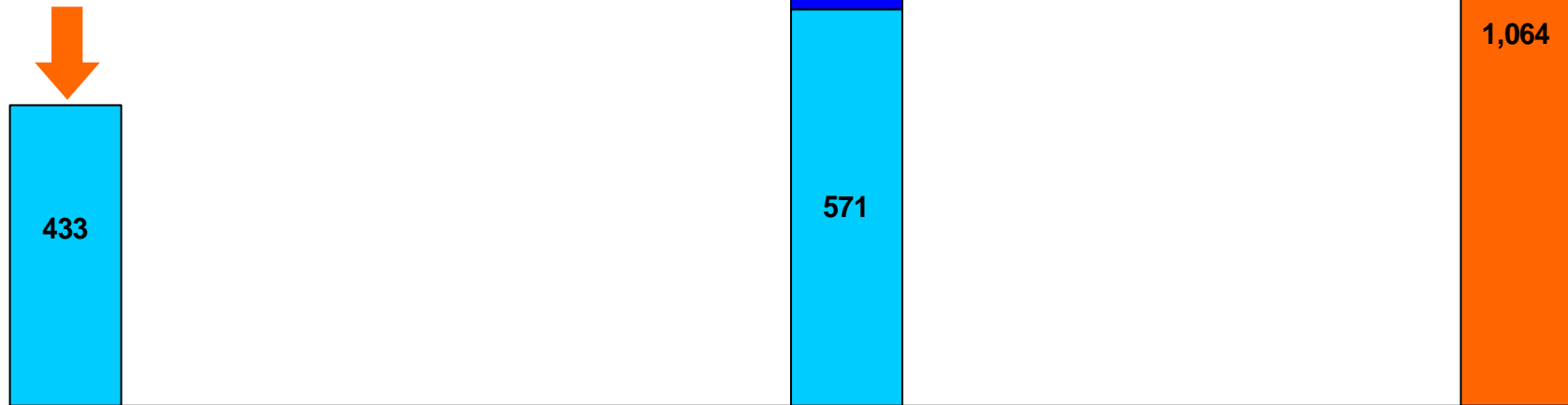
Origins of the InnSpired Pub Estate



Ushers of Trowbridge
Acquired Ushers brewery and 433 pubs from Courage, Grand Met and Intreprenuer

InnSpired created by
Merger of Alehouse (238 pubs built up from packages from Ind Coope, Greenalls, Whitbread and W&D)
and Ushers (571 pubs)

Punch acquire InnSpired



1991

1999

2004

InnSpired Acquisition

- InnSpired Group acquired on 10th September for £335m including securitised debt
- 1,064 leased and tenanted pubs, 98% freehold, south and south-west bias
- Well managed group, growing profits
- Earnings enhancing deal with return in excess of WACC

Unannounced Intention:

- To sell on a significant number of pubs and to retain those which fit our criteria of a long term sustainable pub business

Chronology

10 th September	InnSpired acquisition completed
24 th September	88 pubs sold to Admiral Taverns, 51 from InnSpired estate
22 nd November	InnSpired securitisation refinanced
2 nd December	Sale announced of 545 InnSpired pubs, and most company infrastructure, to Pubfolio Ltd
mid January	Retained 471 pubs integrated into Punch
28 th January	Sale to Pubfolio Ltd completed

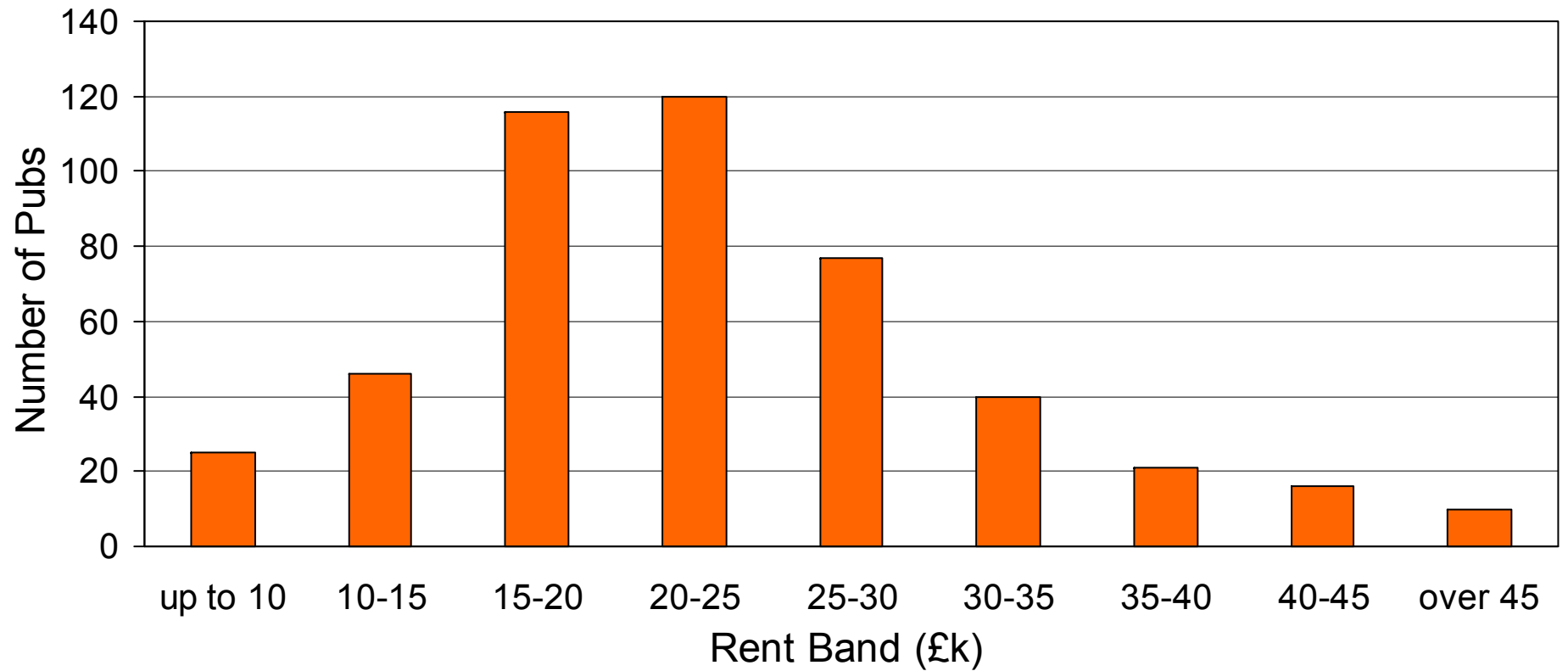
Note: 471 retained pubs includes 3 recent acquisitions

Retained Estate Dimensions

- 471 pubs cherry picked for performance and potential
 - 59% of outlet profit from 44% of InnSpired estate
 - 99% owned freehold (455 pubs) or long lease (11 pubs)
 - 84% on long term leases of over 10 years
 - Excellent geography

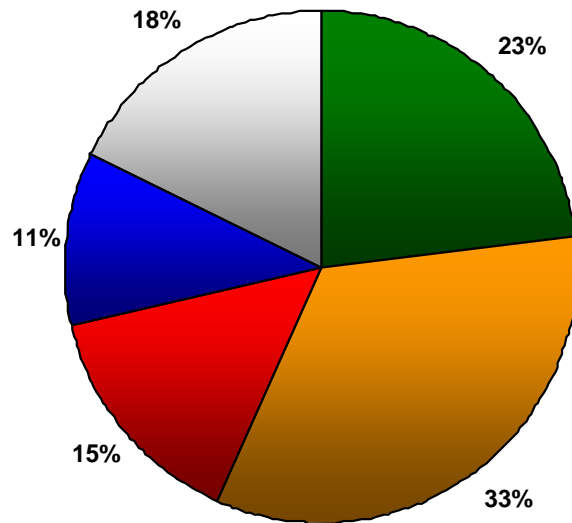
DTI REGION	Punch	Pubmaster	Total	InnSpired
Scotland	357	102	459	0
North	91	344	435	35
North West	427	671	1,098	17
Yorkshire & Humberside	617	369	986	30
Wales	300	129	429	19
West Midlands	727	218	945	21
East Midlands	286	230	516	19
East Anglia	77	269	346	5
South West	185	247	432	177
London	367	23	390	9
South East	980	313	1,293	139
Total (8th January 2005)	4,414	2,915	7,329	471

Rent Profile

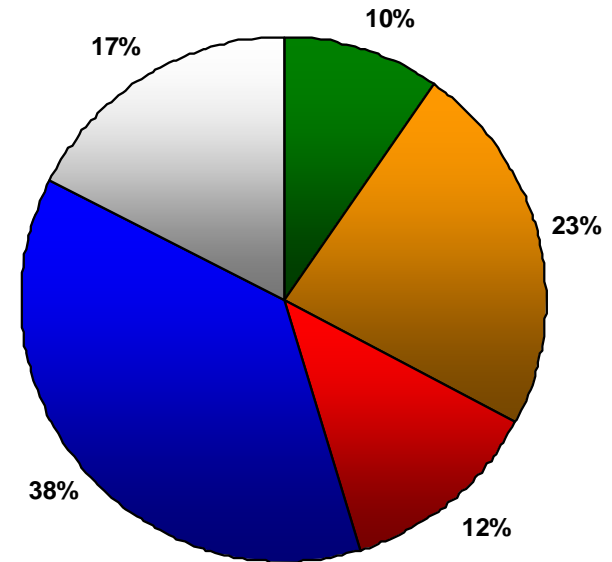


Familiar Beer Suppliers

Punch



InnSpired



Draught & Packaged Beer volume
by brand owning company

■ Carlsberg Tetley ■ Coors ■ Interbrew ■ Scottish Courage ■ Others

● 56% of sales are lager

Retained Estate - Profitability

<u>£m</u>	Year to October 2004
Turnover:	
Beer	27.9
Rent	10.5
Machines	1.0
Other	4.1
Total	43.5
Gross Profit:	
Beer	12.6
Rent	10.5
Machines	1.0
Other	1.4
Total	25.5
Operational costs	(0.9)
Outlet Profit	24.6
Support costs	(2.4)
EBITDA	22.2

- Immediately profitable and cash generative:
 - EBITDA per pub £47k
 - EBITDA margin 51%
- Income and margin profile similar to Punch
- Obvious synergy opportunities:
 - Beer gross margin 45% (Punch 51.5%)
 - Sharing support costs

Integration Completed



- 471 pubs on Punch systems from 17th January
- Discrete national region:
 - Punch now has 17 regions and 3 Operations Directors
- Field staff sourced from InnSpired (one Regional Director, 10 Business Relationship Managers, two Surveyors) supported by 8 office based (telesales etc)
- Peter Brook (InnSpired CEO) staying with Punch as Property & Strategy Director
- All other staff, offices and systems transferred to Pubfolio Ltd
- Debt reduced to £160m term loan – short term facility repaid

Accounting for InnSpired

Key principles:

- InnSpired business fair valued on acquisition
- Disposals treated as an adjustment to the fair value
 - Including profits earned by the disposed pubs
- Other costs treated as exceptional or non-recurring

Implication:

- Only the 471 retained pubs count towards normal profits this year

InnSpired Acquisition Fair Value

APPROXIMATE FAIR VALUE

(illustrative highlights of calculation - subject to audit and late adjustments)

	£m
Investment:	
Acquisition	335
Fees	5
Securitised debt	(239)
Other	(3)
total	99
Fair value:	
Asset value	373
Securitised debt value	(274)
Working capital etc	(15)
Cash	4
total	88
Fair value adjustment to be amortised	11

- Asset value includes actual value of disposed pubs and profits earned, plus valuation of retained estate
- Securitised debt was fixed at c7.8% interest rate
- Working capital includes provisions for pensions, deferred tax etc

Potential Exceptional and Non Recurring Costs in 2004/5

	£m
InnSpired debt break costs	8
InnSpired integration costs	3
Total InnSpired	11
Licensing and other costs	4
Total	15

Overall Cost of InnSpired Acquisition

	£m
Acquisition	99
Debt	274
Exceptional costs	11
Disposal proceeds – 51 pubs (net)	(12)
Disposal proceeds – 545 pubs (net)	(158)
Net cost	214

- Including all costs, InnSpired acquisition is equivalent to 9.6x historic EBITDA
- Before costs, Pubmaster acquisition multiple was 9.9x historic EBITDA
- Analysis understates the benefit.
 - Tax losses
 - Debt structure now much cheaper and unconstrained

Impact on Group Results



- InnSpired profit on 471 pubs to be included for 49 weeks of year
 - Outlet profit should continue at similar level to last year
 - Support costs reduce following integration
 - Opportunity to enhance beer margin over next 2 years
 - Future opportunity to grow through investment
- Funding cost of acquisition high for first 11 weeks then reduced
- Depreciation to be calculated on Punch policy
- Tax losses reduce overall group tax charge in year to c25%

Half Year Results – Points to Note



- Half year ends on 5th March – results announcement planned for 28th April
- Half year is 28 weeks from full year of 52
- Last year, excluding Pubmaster, first half produced 51.7% of EBITDA
- Key points from AGM statement covering first 20 weeks:
 - 2% underlying growth
 - 52 acquisitions, 57 disposals since August (excluding InnSpired):
 - Estate size is unchanged since August and smaller than H1 last year
 - Investment to date at similar level to last year



Blue Bell, Workington



French Horn, Alton



Swan, Noss Mayo, nr Plymouth



Drake Manor, nr Yelverton



Exeter Inn, Modbury



Black Horse, Gateshead



Barley Mow, Winchfield



Deane Gate, Basingstoke



Angel, Sutton

Summary



- InnSpired - a great deal well executed
- Our business is much more than a great financial model
- Innovation throughout the business
- A land bank of opportunities