Interim Results 2012
Focused and consistent strategy yielding growth
• New-builds and Franchise Agreements continue to perform well

Continued strong operational performance
• Revenue and profit growth in all three trading segments

EPS growth of 14.6% drives return to dividend growth
• Interim dividend up 5% to 2.2 pence per share
• Dividend cover increased to 2.1x
## Financial Summary

<table>
<thead>
<tr>
<th>26 weeks</th>
<th>2012</th>
<th>2011</th>
<th>vs. LY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£342.1m</td>
<td>£317.9m</td>
<td>+7.6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>£88.6m</td>
<td>£86.8m</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>£67.6m</td>
<td>£66.4m</td>
<td>+1.8%</td>
</tr>
<tr>
<td>Profit before tax*</td>
<td>£33.5m</td>
<td>£29.2m</td>
<td>+14.7%</td>
</tr>
<tr>
<td>Adjusted EPS*</td>
<td>4.7p</td>
<td>4.1p</td>
<td>+14.6%</td>
</tr>
<tr>
<td>Interim Dividend</td>
<td>2.2p</td>
<td>2.1p</td>
<td>+4.8%</td>
</tr>
<tr>
<td>Dividend Cover</td>
<td>2.1x</td>
<td>1.9x</td>
<td>+0.2x</td>
</tr>
</tbody>
</table>

* before exceptional items

### Revenue, profit and dividend growth
Segmental operating profit

Growth in all trading segments

- 2011 H1: £66.4m
- Managed: +7%
- Tenanted and Franchised: +3%
- Brewing: +3%
- Pre-central: +4.8%
- Central: (£2.0)m
- Reported: +1.8%
- £67.6m

One-off costs:
- Insurance: £1.0m
- Advisory: £0.5m
Retained estate performance

Strong underlying growth
### Like-for-like sales*

<table>
<thead>
<tr>
<th>% change</th>
<th>26 weeks to 31 March</th>
<th>32 weeks to 12 May</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drink</td>
<td>+3.6%</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Food</td>
<td>+3.9%</td>
<td>+2.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+3.6%</td>
<td>+2.4%</td>
</tr>
</tbody>
</table>

* Excludes any pubs acquired in last two years

**Soft December comps**

- 2011: +2.4%
- 2012: +3.5%

**14-28 April (11)% vs Royal Wedding**

- Weeks 24 - 32: +5.0%
- Weeks 1 - 32: +3.2%

**Opportunities:**

- Diamond Jubilee
- Euro 2012

**Sales growth in challenging market**
Margin performance

Growth achieved with strong margin progression
Reduced inflationary pressure, mitigation plans identified
### Performance

**Tenancies and Leases** | **Franchise Agreement estate** | **Total**
--- | --- | ---
**No. of pubs** | c.1,000 | c.600 | c.1,600
**Revenue** | +2.3% | +33.2% | +14.2%
**Rent** | +3.4% | n/a | -
**YOY EBIT** | +0.6% | +13.5% | +3.1%

---

**SUSTAINABLE GROWTH**

**OPPORTUNITY**

---

**Stable core estate, franchise driving growth**
Continued market outperformance

**Revenue growth**
- Revenue up 6.6%
- Group ale volume up 2%
- Ale growth across all channels

**Robust financial performance**
- Operating profit up 2.7%
- Strong cash generation

**2013 cost outlook**
- c.£1m of cost inflation – energy
- Mitigated through price and efficiency

Revenue and profit growth outperforming market
## Cashflow summary

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 2012</th>
<th>H1 2011</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>88.6</td>
<td>86.8</td>
<td></td>
</tr>
<tr>
<td>Working capital/pension/tax</td>
<td>(13.8)</td>
<td>(7.8)</td>
<td>Working capital timing</td>
</tr>
<tr>
<td><strong>Operating cashflow</strong></td>
<td><strong>74.8</strong></td>
<td><strong>79.0</strong></td>
<td></td>
</tr>
<tr>
<td>Net interest</td>
<td>(40.5)</td>
<td>(36.6)</td>
<td>One-off arrangement fees</td>
</tr>
<tr>
<td><strong>Pre-investment FCF</strong></td>
<td><strong>34.3</strong></td>
<td><strong>42.4</strong></td>
<td></td>
</tr>
<tr>
<td>Net capex*</td>
<td>(36.6)</td>
<td>(42.4)</td>
<td>Higher new-build offset by higher disposals</td>
</tr>
<tr>
<td>Final dividend</td>
<td>(21.0)</td>
<td>(21.0)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cashflow</strong></td>
<td><strong>(23.3)</strong></td>
<td><strong>(21.0)</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Includes disposal proceeds

FCF = Free cashflow

**Strong operating cashflow**
## Financing structure

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Securitisation</strong></td>
<td>1,029</td>
</tr>
<tr>
<td>• FCF cover:</td>
<td>1.5x vs covenant &gt;1.1x</td>
</tr>
<tr>
<td>• EBITDA cover:</td>
<td>1.7x vs covenant &gt;1.5x</td>
</tr>
<tr>
<td><strong>Bank facility</strong></td>
<td>161</td>
</tr>
<tr>
<td>• Interest cover:</td>
<td>5.1x vs covenant &gt;3.0x</td>
</tr>
<tr>
<td>• Debt to EBITDA:</td>
<td>2.4x vs covenant &lt;4.0x</td>
</tr>
<tr>
<td>• £257.5m facility to May 2016 with £42.5m accordion</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,190</td>
</tr>
<tr>
<td><strong>Net cash</strong></td>
<td>(54)</td>
</tr>
<tr>
<td><strong>Debt issue costs</strong></td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>1,124</td>
</tr>
</tbody>
</table>

- No refinancing requirement until May 2016
- Flexibility to transfer profit between finance structures

Secure and flexible finance structure
Interest costs

- New £120m swap arrangement to 2020
- "Replaces" more expensive £140m swaps to 2014
- Reduces interest charges by c.£2-3m pa
  - Mitigates 2013/14 step up in securitised interest

New swaps reduce underlying interest costs
Pension triennial valuation

Reduction in deficit since 2008
- £30m improvement in cash deficit to £75m
- Reflects consistency of funding over time

No changes to current funding profile
- c.£11m per annum increasing by 5.75% per annum

Deficit targeted to be cleared by 2017
- De-risking through selective buy-in process

Well-managed scheme, reducing pension risk
Opportunities

- Eating-out market resilient
- Inflation easing
- Unemployment threat easing
- Technology
- Minimum pricing?

Challenges

- Taxation – duty, VAT
- Regulation
- Changing consumer behaviour
- Economy

Opportunities outweigh challenges
Drivers of organic growth

Improved consumer insight

Offer
- Trends into attractions
- Format range
- Flexible approach

Investment
- Design innovation
- Estate refurbishment
- Maintenance
- Disciplined allocation

Service
- Customer services
- Standards
- Investment in people
- Stable team

Improving returns

Growth not driven by capex alone
## Disciplined capex

<table>
<thead>
<tr>
<th>2012 capex programme</th>
<th>Target Return</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External</strong></td>
<td></td>
</tr>
<tr>
<td>• New-builds</td>
<td>£50m 16.5%</td>
</tr>
<tr>
<td>• Investment capital</td>
<td>£10m 20%</td>
</tr>
<tr>
<td><strong>Internal</strong></td>
<td></td>
</tr>
<tr>
<td>• Maintenance capital</td>
<td>£10m</td>
</tr>
</tbody>
</table>

£70m

70% of capex growing estate; LFL growth with moderate capex
Flexible pub offers

Taverns

Homestead

- ‘In the houses’
- Clearly defined target market
- Everyday favourites – Pedigree, Banks’s, scampi
- Centrally-driven activities

Pubs: 213
LFL: +1.9%
Food mix: 26%

Village

- Rural village location
- Wider target market
- More adventurous menu, drinks ranges
- Locally-driven activities

Reasons to visit – drinking, eating, activities and events

Flexible formats ensure ‘pub is the hero’
Flexible pub offers

Destination

Two for One

- Ultimate food deal!
  - Every Day Low Prices
- Value-driven growth
- Intimate “pubby” feel

Milestone

- Landmark sites
- Pub classics with a twist
- More flexible pricing
- Intimate “pubby” feel

Pubs: 260
LFL: +3.8%
Food mix: 54%

Reasons to visit - convenience dining, special occasions

Flexible formats ensure ‘best pub around here’
High-quality estate in strong growth
  • 21 pubs, c.50% freehold
  • LFL up 9%, wet up 7%, food up 16%
  • Food mix up 2% to 22%
  • Margins up 1%

Continuous development
  • Theatre approach to food and drink
  • 95% “Fresh Food”
  • Modest investment, maximum impact

Strong and stable team
Customer service – balanced scorecard

SMILE culture
- Making customers feel welcome

High5
- Maximising sales from customer visit

Customer experience monitoring

Customer service at the heart of everything we do
Attracting new talent

• “Make it” - our pub employer brand
• New recruitment website/app
• Social media - Twitter

Clear career progression in a growing business

• Pub career path
• Modern Apprenticeships and Diplomas
• Opportunities for the ambitious
### New-build performance

<table>
<thead>
<tr>
<th></th>
<th>2009 target</th>
<th>Pre 2010 sites</th>
<th>Post 2010/11 sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue per week</td>
<td>£20k</td>
<td>£21k</td>
<td>£27k</td>
</tr>
<tr>
<td>EBITDA conversion</td>
<td>30%</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Food mix</td>
<td>55%</td>
<td>57%</td>
<td>62%</td>
</tr>
<tr>
<td>Food spend per head</td>
<td>c.£6.00</td>
<td>c.£6.00</td>
<td>c.£6.50</td>
</tr>
<tr>
<td>EBITDA ROI*</td>
<td>15%</td>
<td>17.3%</td>
<td>18.5%</td>
</tr>
</tbody>
</table>

*annualised pro-forma

---

**Strong performance continues; investment at 5.4x EBITDA**
Clear visibility over pipeline
• Sites identified for next three years
• Retail parks and beyond
  - premium community food
  - smaller footprint sites
• National coverage
• Focus on quality not quantity

Planning
• Increased build cost c.£0.2m per site
• “Delay” rather than “prevent” build

Competition
• Aware of market developments
• Key defence:
  - stable team
  - relationships with agents/developers
Profit performance

Continued profit growth, trends improving
Franchise Agreement performance

Continued volume and profit growth

419 pubs
2010 Benchmark = 100
Franchise Agreement evolution

Conversion from managed to franchised
- Minimal capital investment
- Wet-led, lower turnover, community pubs
- Nine targeted by year end

Case study: Sun, Doncaster December 2011 conversion
Capex: £50k
MAT EBITDA growth: +40%
Revenue growth since conversion: +16%

“Capex-lite” for appropriate sites
- Core consumer offer introduced
- £10-15k capex
  - mainly EPOS – can be reallocated

Improvement through innovation
Stability in traditional estate

Focus on top-line support
- Direct promotional offers
- Marketing and commercial advice
- Moderate capital investment

Focus on licensee quality
- Central recruitment team for all pubs
  - higher standards
- Stability increased to 92%

Agreement flexibility
- Right agreement for the pub
- New code of practice
- Rental growth demonstrates fairness of rent process

Focus on business building and sustainable growth
Localness demonstrated through free trade growth

Premium – cask and bottle
- Leading market shares
  - premium bottled up 9%; premium cask up 2%

Innovation
- fastcask™ now 33% of cask ale brewed

Marketing – structured approach to maximise returns
- Local marketing support for local brewers
- National support for Pedigree and Hobgoblin

Consistent and strong returns
Clear, consistent and focused strategy

Value, service and quality across all business segments

Stable and secure finance structure

Strategy and effective execution delivering growth

Return to progressive dividend
Group strategy

STRATEGY

Exploit and develop competitive advantage in pubs and brewing sectors

KEY COMPONENTS

• ‘F-Plan
• New-build investment
• Innovative agreements
• Greater control of retail offer
• Localness
• Premium ales

OBJECTIVES

1. Sustainable growth
2. Lower gearing ratios
3. Increased ROC

Clear, focused and consistent strategy
### Segmental analysis

#### Revenue

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Houses</td>
<td>190.4</td>
<td>181.7</td>
<td>4.8%</td>
</tr>
<tr>
<td>Tenanted and Franchised Brewing</td>
<td>98.1</td>
<td>85.9</td>
<td>14.2%</td>
</tr>
<tr>
<td>Central</td>
<td>53.6</td>
<td>50.3</td>
<td>6.6%</td>
</tr>
<tr>
<td>Total</td>
<td>342.1</td>
<td>317.9</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

#### EBITDA

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Houses</td>
<td>38.3</td>
<td>36.5</td>
<td>4.9%</td>
</tr>
<tr>
<td>Tenanted and Franchised Brewing</td>
<td>45.6</td>
<td>43.6</td>
<td>4.6%</td>
</tr>
<tr>
<td>Central</td>
<td>11.6</td>
<td>11.6</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>88.6</td>
<td>86.8</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

#### Operating Profit

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Houses</td>
<td>28.3</td>
<td>26.5</td>
<td>6.8%</td>
</tr>
<tr>
<td>Tenanted and Franchised Brewing</td>
<td>39.8</td>
<td>38.6</td>
<td>3.1%</td>
</tr>
<tr>
<td>Central</td>
<td>7.5</td>
<td>7.3</td>
<td>2.7%</td>
</tr>
<tr>
<td>Total</td>
<td>67.6</td>
<td>66.4</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

#### Margin %

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Houses</td>
<td>14.9%</td>
<td>14.6%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Tenanted and Franchised Brewing</td>
<td>40.6%</td>
<td>44.9%</td>
<td>(4.3%)</td>
</tr>
<tr>
<td>Central</td>
<td>14.0%</td>
<td>14.5%</td>
<td>(0.5%)</td>
</tr>
<tr>
<td>Total</td>
<td>19.8%</td>
<td>20.9%</td>
<td>(1.1%)</td>
</tr>
</tbody>
</table>

#### Finance costs

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance costs</td>
<td>(34.1)</td>
<td>(37.2)</td>
<td>8.3%</td>
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</tbody>
</table>

#### Profit Before Tax

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Before Tax</td>
<td>33.5</td>
<td>29.2</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

### Average number of pubs

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed houses</td>
<td>495</td>
<td>485</td>
</tr>
<tr>
<td>Tenanted and Franchised</td>
<td>1,652</td>
<td>1,662</td>
</tr>
<tr>
<td>Description</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>---------------------------------------------------------</td>
<td>-------</td>
<td>------------</td>
</tr>
<tr>
<td>Average number of shares in 2012</td>
<td>568.9m</td>
<td></td>
</tr>
<tr>
<td>Number of shares in issue as at 31 March 2012</td>
<td>568.9m</td>
<td></td>
</tr>
<tr>
<td>Additional dilutive number of shares</td>
<td>4.3m</td>
<td></td>
</tr>
<tr>
<td>Forecast 2012</td>
<td></td>
<td>Forecast 2013</td>
</tr>
<tr>
<td>Tax rate</td>
<td>c.20%</td>
<td>21 - 23%</td>
</tr>
<tr>
<td>Capex</td>
<td>£110m</td>
<td>£110m</td>
</tr>
<tr>
<td>Disposal proceeds</td>
<td>c.£30m</td>
<td>c.£30m</td>
</tr>
<tr>
<td>Securitisation results £m</td>
<td>Actual</td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>• Gross debt outstanding as at 31 Mar 2012</td>
<td>£1,029.3m</td>
<td></td>
</tr>
<tr>
<td>• EBITDA</td>
<td>131.0m</td>
<td></td>
</tr>
<tr>
<td>• Free cashflow (FCF)</td>
<td>113.6m</td>
<td></td>
</tr>
<tr>
<td>• Debt service (DSCR)</td>
<td>77.7m</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial covenants</th>
<th>Actual</th>
<th>Covenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>• FCF : DSCR</td>
<td>1.5x</td>
<td>&gt;1.1x</td>
</tr>
<tr>
<td>• EBITDA : DSCR</td>
<td>1.7x</td>
<td>&gt;1.5x</td>
</tr>
<tr>
<td>• Net worth</td>
<td>£591.1m</td>
<td>£90m</td>
</tr>
</tbody>
</table>
## Securitised debt profile

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Type</th>
<th>Principal outstanding at 31/3/2012</th>
<th>Step-up Date</th>
<th>Final Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Floating</td>
<td>£154.8m</td>
<td>July 2012</td>
<td>2020</td>
</tr>
<tr>
<td>A2</td>
<td>Fixed/Floating</td>
<td>£214.0m</td>
<td>July 2019</td>
<td>2027</td>
</tr>
<tr>
<td>A3</td>
<td>Fixed/Floating</td>
<td>£200.0m</td>
<td>April 2027</td>
<td>2032</td>
</tr>
<tr>
<td>A4</td>
<td>Floating</td>
<td>£225.5m</td>
<td>October 2012</td>
<td>2031</td>
</tr>
<tr>
<td>AB1</td>
<td>Floating</td>
<td>£80.0m</td>
<td>October 2012</td>
<td>2035</td>
</tr>
<tr>
<td>B</td>
<td>Fixed/Floating</td>
<td>£155.0m</td>
<td>July 2019</td>
<td>2035</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>£1,029.3m</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>