

THIS DOCUMENT AND THE ACCOMPANYING FORM OF ELECTION ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from a stockbroker, bank manager, solicitor, accountant or other independent financial or legal adviser authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

In the event of a conflict between this letter and the rules of any relevant plan or any relevant legislation, the rules or the legislation will prevail.

References to taxation are for guidance only and assume that you are and were domiciled and resident for tax purposes only in the UK at all relevant times.

Punch Taverns Plc
Jubilee House
Second Avenue
Burton Upon Trent
Staffordshire
DE14 2WF

Vine Acquisitions Limited
54 Portland Place
London
W1B 1DY

17 January 2017

Dear Participant

Punch Taverns plc Long-Term Incentive Plan 2008 and the recommended cash offer for Punch Taverns plc by Vine Acquisitions Limited

LTIP Options

As you know, Punch and Bidco (a newly incorporated company formed at the direction of Patron Capital, V L.P., a limited partnership, whose general partner is Patron Capital GP V Limited) announced on 15 December 2016 that they had reached agreement on the terms of a recommended cash offer for the entire issued and to be issued share capital of Punch by Bidco (the "**Acquisition**").

Why are we writing to you?

We are writing to explain how the Acquisition will affect your LTIP Options and the decisions you need to make.

Please read everything in this pack. **This pack and its contents are very important.** You should complete the Form of Election and return it to *FAO Matthew Hitchen, Computershare Plan Managers, G Mill, Dean Clough Industrial Park, Halifax, HX3 5AH* by no later than 5 p.m. (UK time) on 28 February 2017.

If you participate in other Punch share plans, you are also being written to separately about the effect of the Acquisition on your other options or awards under those Punch share plans. Please read those letters carefully.

The Acquisition

The Acquisition will result in Punch and its subsidiaries becoming wholly-owned subsidiaries of Bidco.

The Acquisition will take place through what is called a "scheme of arrangement". This is a procedure that is subject to approval by Punch Shareholders and the Court. Further

information on the Scheme is set out in the Scheme Document. A copy of the Scheme Document is also available on the Punch website at <https://www.punchtavernsplc.com/2016/12/recommended-offer-for-punch-taverns-plc/>. A copy of this letter is also available on the Punch website detailed above and on the Bidco website at www.patroncapital.com/microsite.

This letter and its Appendices should be read together with the Scheme Document. A brief explanation of some of the terms used in this letter is given in Appendix B to this letter. Terms defined in the Scheme Document will have the same meaning in this letter unless otherwise defined.

What are the terms of the Acquisition?

The terms of the Acquisition are set out in full in the Scheme Document. However, in summary, Punch Shareholders will be entitled to receive:

for each Punch Share	180 pence in cash
-----------------------------	--------------------------

Please note that if any dividend, distribution or return of capital is announced, declared, made, paid or becomes payable by Punch prior to the Effective Date, the consideration noted above may decrease. Please see the Scheme Document for further information.

When is the Acquisition likely to take place?

The Acquisition is currently expected to become effective in the first half of 2017. The expected timeline is set out in Appendix A.

How does the Acquisition affect your LTIP Options?

Normally, your LTIP Options would vest (subject to the satisfaction of applicable performance conditions) in full on the third anniversary of the grant date and, once exercised, the Punch Shares under the LTIP Options would be transferred to you.

However, as a result of the Acquisition, your LTIP Options will vest on Court Sanction, subject to a time *pro rata* reduction in the number of Punch Shares under award to reflect the time elapsed between the date the applicable performance period started and the date of Court Sanction (which means, on the current expected timetable, that your LTIP Options will only vest in part) and the Remuneration Committee's determination of the extent to which the performance conditions applicable to your LTIP Options are satisfied, taking into account the early end of the performance period. To the extent your LTIP Options do not vest, they will lapse. The Punch Shares you receive on exercise of your LTIP Options will then be subject to the Scheme/Acquisition (see further Appendix A). To the extent you do not exercise on Court Sanction, any vested LTIP Options will remain exercisable for two months following Court Sanction, following which they will lapse.

If the Acquisition does not happen for any reason, your LTIP Options will continue as normal, subject to the rules of the LTIP.

If you exercise your LTIP Options on Court Sanction, your cash proceeds will be paid to you via payroll as soon as reasonably practicable following receipt by payroll of the relevant amounts, subject to any necessary withholdings in respect of any exercise price attributable to the LTIP Options or for tax or social security contributions. Payroll will receive the relevant amounts from the trustee of the Punch Taverns General Employee Benefit Trust, who is expected to receive the relevant proceeds within 14 days of the Effective Date.

A detailed explanation of the way in which your LTIP Options will be affected is set out in

Appendix A to this letter, including the implications for your LTIP Options if you leave employment. Appendix C to this letter summarises the tax implications of the exercise of your LTIP Options and subsequent sale of Punch Shares.

Attachments to this letter

The following are provided as attachments to this letter:

- Appendix A explaining how the Acquisition affects LTIP Options and what you have to do.
- Appendix B explaining some key definitions.
- Appendix C summarising the tax treatment of the exercise of your LTIP Options and subsequent sale of Punch Shares.
- Appendix D detailing important terms relating to the Form of Election.
- A Form of Election, which you will need to complete to exercise your LTIP Options.

What do I need to do?

1. You should read the attachments to this letter.
2. If you want to exercise your LTIP Options you should tick the relevant box in Section 2 of the Form of Election.
3. You must send your Form of Election, along with the Award Certificate given to you on the date of grant of your LTIP Options, to *FAO Matthew Hitchen, Computershare Plan Managers, G Mill, Dean Clough Industrial Park, Halifax, HX3 5AH*. To ensure you receive your sale proceeds at the earliest opportunity, this needs to arrive by no later than 5 p.m. (UK time) on 28 February 2017. **You should not assume that any further reminder will be sent to you about this deadline.** You will be contacted if this deadline changes.

What if you have questions?

If you have any questions that relate to your LTIP Options, what your choices are or how to complete the Form of Election, please email communication@punchtaverns.com. Please note that no legal, tax or financial advice on the merits of the Acquisition or its effect on your LTIP Options or your choices can be provided.

You are strongly advised to seek your own independent financial and/or tax advice regarding your personal circumstances and the effect of the Acquisition in relation to your LTIP Options.

Directors' view

The Punch Board, which has been so advised by Goldman Sachs International, considers the terms of the proposals described above to be fair and reasonable in the context of the Acquisition. The Punch Board recommends that you consider these proposals and take a course of action that, taking your personal circumstances into account, you consider to be in your best interests. In providing their advice to the Punch Board, Goldman Sachs International have taken into account the commercial assessments of the Punch Board. Goldman Sachs International is providing independent financial advice to the Punch Board for the purposes of Rule 3 of the City Code on Takeovers and Mergers.

Yours faithfully



Duncan Garrod
Chief Executive Officer

For and on behalf of
Punch Taverns plc

Yours faithfully



Stephen Green
Director

For and on behalf of
Vine Acquisitions Limited

DRAFT

Appendix A

Impact of the Acquisition on LTIP Options

1. The impact on your LTIP Options

As a result of the Acquisition, your LTIP Options will, in accordance with the rules of the LTIP, vest on Court Sanction, subject to a time pro rata reduction in the number of Punch Shares under award to reflect the time elapsed between the date the applicable performance period started and the date of Court Sanction (which will mean that on the current expected timetable, your LTIP Options will only vest in part) and the Remuneration Committee's determination of the extent to which the performance conditions applicable to your LTIP Options are satisfied, taking into account the early end of the performance period. The remainder which does not vest will lapse.

Any Punch Shares that you receive as a result of your LTIP Options vesting and being exercised on Court Sanction will be acquired by Bidco on the Effective Date and for each Punch Share you receive you will be entitled to receive the following consideration:

180 pence in cash

If you exercise your LTIP Options after Court Sanction but before the date falling two months after Court Sanction, any Punch Shares to which you are entitled will be automatically acquired by Bidco on or after the Effective Date in return for 180 pence per Punch Share.

Please note that if any dividend, distribution or return of capital is announced, declared, made, paid or becomes payable by Punch prior to the Effective Date, the consideration noted above may decrease. Please see the Scheme Document for further information.

Unexercised LTIP Options will lapse on the date falling two months after Court Sanction.

If the Acquisition does not happen for any reason, all of your LTIP Options will continue as normal, subject to the rules of the LTIP.

If you exercise your LTIP Options on Court Sanction, you will receive your proceeds through payroll, less any necessary withholdings for exercise price, tax or social security withholdings as soon as reasonably practicable following receipt by payroll of the proceeds. Payroll will be sent the funds to pay on to you by the trustee of the Punch Taverns General Employee Benefit Trust as soon as practicably possible following receipt. The trustee expects to receive these funds within 14 days of the Effective Date.

2. Leaving Punch before or after Court Sanction

Leaving Punch before Court Sanction

The leaver arrangements under the LTIP will apply in the normal way if you leave Punch before Court Sanction. This means that if you leave employment and do not qualify as a "good leaver" under the LTIP rules your unvested LTIP Options will lapse on the date that your employment ceases or, if applicable and if the Remuneration Committee so determines, the date you give or receive notice of such cessation (or, if your employment ends following a period of suspension under your employer's disciplinary procedures, the date on which such suspension began).

If you leave Punch before Court Sanction as a "good leaver" (for example, because of injury

or disability or because you retire), your LTIP Options will, unless the Remuneration Committee determines otherwise, vest on the usual vesting date (which is expected to be the date of Court Sanction).

The number of Punch Shares subject to your LTIP Options will be reduced *pro rata* to reflect the period from your leaving date to the end of the usual service period and may be reduced to reflect the satisfaction of performance conditions.

Leaving Punch after Court Sanction

Provided you have exercised your LTIP Options on Court Sanction, your LTIP Options will not be affected if you leave employment after Court Sanction because they will have already been exercised. If you do not exercise your LTIP Options on Court Sanction, your LTIP Options may lapse if you leave prior to exercise in the same circumstances as listed above.

3. Making your decision

In order to exercise your LTIP Options to the extent they vest on Court Sanction, you should tick the relevant box(es) in Section 2 of the Form of Election.

You must send your Form of Election and your Award Certificate to *FAO Matthew Hitchen, Computershare Plan Managers, G Mill, Dean Clough Industrial Park, Halifax, HX3 5AH*. **To ensure you receive your proceeds at the earliest opportunity following Court Sanction, this needs to arrive by no later than 5 p.m. (UK time) on 28 February 2017.**

If you do not complete and return the Form of Election now but wish to exercise, there will be a delay in the receipt of your proceeds. If you do not exercise at all, your LTIP Options will lapse on the date falling two months from Court Sanction.

Punch and Bidco cannot give you investment advice. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from a stockbroker, bank manager, solicitor, accountant or other independent financial or legal adviser authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

4. Expected timeline of principal events

The dates given below are indicative only and are based on Punch's and Bidco's current expectations and may be subject to change.

Date	Event
10 February 2017	Punch Shareholder meetings to approve the Scheme
28 February 2017	Last date that you may communicate your choices using the Form of Election if you want to ensure exercise on Court Sanction
A date which is expected to be not later than 14 days after the satisfaction or waiver	All LTIP Options vest, subject to the Remuneration Committee's determination in

Date	Event
of Condition 3(A) relating to the merger control review of the Disposal (as defined in the Scheme Document) (or any aspect thereof) by the European Commission and/or CMA (the expected Court Sanction)	respect of performance conditions and time pro-rating
Business day after Court Sanction (the expected Effective Date)	All Punch Shares in issue are transferred to Bidco
14 days after the Effective Date	Latest date by which the trustee of the Punch Taverns General Employee Benefit Trust is expected to receive the cash proceeds (less any necessary withholdings) for any Punch Shares acquired by you on Court Sanction. This will be paid to you as soon as reasonably practicable after payroll receives this amount from the trustee.
Two months after Court Sanction	Unexercised LTIP Options lapse

5. Important notes

Nothing in this pack constitutes financial advice to any holder of Punch Shares, share awards or share options in Punch or Bidco.

If there is a conflict between the information in this letter and appendices and the rules of the LTIP or any relevant legislation, the rules and the legislation will prevail.

Appendix B

A brief explanation of some definitions

“**Bidco**” means Vine Acquisitions Limited;

“**Court**” means the High Court of Justice in England and Wales;

“**Court Sanction**” means the date on which the Court sanctions the Scheme under section 899 of the Companies Act 2006;

“**Effective Date**” means the date on which the Scheme becomes effective in accordance with its terms;

“**Election Return Time**” means 5 p.m. (UK time) on 28 February 2017;

“**HMRC**” means HM Revenue & Customs;

“**LTIP**” means the Punch Taverns plc 2008 Long-Term Incentive Plan, as amended;

“**LTIP Options**” means options over Punch Shares granted to employees and former employees of Punch and its subsidiaries under the LTIP;

“**Punch**” means Punch Taverns plc;

“**Punch Board**” means the board of directors of Punch;

“**Punch Group**” means Punch and its subsidiaries and subsidiary undertakings from time to time;

“**Remuneration Committee**” means the remuneration committee of the Punch Board;

“**Punch Shareholders**” means holders of Punch Shares;

“**Punch Shares**” means ordinary shares of 0.9572 pence each in the capital of Punch;

“**Scheme**” means the procedure by which Bidco will become the holder of the entire issued and to be issued ordinary share capital of Punch;

“**Scheme Document**” means the document setting out the terms of the Scheme dated 17 January 2017 sent to Punch Shareholders; and

“**Scheme Record Time**” means the time and date specified as such in the Scheme Document or such later time as Punch and Bidco may agree.

Appendix C

Tax summary

This summary is based on current legislation and HMRC practice at the date of this letter, which is subject to change in the future. It assumes that you are domiciled and resident in the United Kingdom for tax purposes at all relevant times and have been from the date of grant of your LTIP Options. The information contained in this summary is intended as a guide only and is not a full description of all the circumstances in which a taxation liability may occur.

If you are in any doubt as to your tax position or if you are not resident and domiciled in the United Kingdom or were not so resident and domiciled at the date of grant of your LTIP Options, you should consult an appropriate professional adviser. You should also remember that tax law can and often does change and you should not necessarily assume the current tax position will continue.

1. Exercise of options

If you exercise your LTIP Options and receive Punch Shares then you will be subject to income tax and employees' National Insurance contributions (the "**Tax Liability**") on the difference between the market value of those Punch Shares on that date and any exercise price you may pay to exercise your LTIP Options.

The Tax Liability, as well as any exercise price which you are required to pay, will be deducted from your proceeds before they are paid to you.

2. Sale of Punch Shares

When your Punch Shares are transferred to Bidco, you will be treated as having made a disposal for Capital Gains Tax (CGT) purposes. A CGT charge may arise depending on your personal circumstances. You are required to account for any CGT liabilities arising through your tax return under the self-assessment system.

Your gain for CGT purposes is expected to be the amount by which the amount you receive per Punch Share (i.e. 180 pence per Punch Share, subject to any decrease as set out in the Scheme Document) exceed the aggregate exercise price paid for those shares and the amount on which you were taxed on exercise.

Appendix D

Completing the Form of Election

Terms and conditions

By completing and submitting the Form of Election you:

- (a) confirm that you have received and read the letter from Punch and Bidco dated 17 January 2017 relating to the LTIP and have read, understood and agree to these terms and conditions and that you are aware of the terms of the Scheme Document;
- (b) confirm that the LTIP Options which you elected to exercise on Court Sanction is valid and have not lapsed and are free from all mortgages and any third party interests and acknowledge that if the LTIP Options have lapsed or lapse before Court Sanction, the completion of this Form of Election will be of no effect in relation to those LTIP Options;
- (c) confirm that the decisions which you have made on the Form of Election cannot be withdrawn or altered except with the agreement of Punch and Bidco;
- (d) accept that documents or payments sent by, to or from you in connection with your LTIP Options will be sent at your own risk to the address shown on the Form of Election;
- (e) acknowledge that neither Punch nor Bidco will be responsible for any consequential loss in the event that the Form of Election is incorrectly completed or where it has not been possible to obtain clarification of your instructions or where the Form of Election is delayed or fails to arrive;
- (f) appoint Punch, or any person nominated by Punch, as your agent and authorise such agent to execute, complete and sign and submit any document and to do anything on your behalf as necessary or desirable to give effect to the exercise of your LTIP Options in accordance with the Form of Election;
- (g) acknowledge that if you decide to exercise your LTIP Options conditionally upon the Scheme being sanctioned by the Court, you irrevocably agree to exercise such LTIP Options that you have indicated you wish to exercise on the Form of Election on the day of Court Sanction;
- (h) acknowledge that any Punch Shares you acquire on the exercise of any LTIP Options after the Scheme Record Time will be acquired automatically by Bidco for cash consideration of 180 pence per Punch Share (subject to any decrease as set out in the Scheme Document) in accordance with the amended articles of association of Punch;
- (i) save to the extent that your employer has an obligation to account for such liabilities following exercise, agree that you will be responsible for payment direct to the tax authorities of any income tax and capital gains tax liability arising in connection with your LTIP Option;
- (j) authorise any arrangements necessary for the cash consideration to be paid to you less any exercise price that you are required to pay and less any required local law deductions for taxation and/or social security contributions;
- (k) agree that the delivery of the Form of Election duly signed may, if Punch and Bidco

determine it appropriate, be treated as being as effective as if it were duly completed and received by any deadline specified in this letter, notwithstanding that it is not completed or received strictly in accordance with the terms of the Form of Election, and these terms and conditions, or by the deadline specified;

- (l) agree that Punch and Bidco will determine all questions as to form and validity, including the timing of receipt, of any Forms of Election in their absolute discretion and may, if they so determine, accept a Form of Election which is received after the Election Return Time or which is not valid or complete in all respects. Neither Punch nor Bidco or any other person will be under any duty to give notice of any defect or irregularity in any Form of Election or incur any liability for failure to give any such notification; and
- (m) agree that these terms and conditions and any matters arising out of or in connection with them are subject to English law and the exclusive jurisdiction of the Courts of England and Wales.

In the event of any differences between this letter and the rules of the LTIP or applicable legislation, the rules of the LTIP or applicable legislation (as appropriate) will prevail.

DRAFT

The distribution of this document (in whole or in part) in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Goldman Sachs International, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Punch and no one else in connection with the Acquisition and will not be responsible to anyone other than Punch for providing the protections afforded to clients of Goldman Sachs International, or for providing advice in connection with the Acquisition or any matter referred to herein.

Goldman Sachs International has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

This document does not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer to subscribe for or buy, any securities by any person in any jurisdiction (a) in which such offer or invitation is not authorised, (b) in which the person making such offer or invitation is not qualified to do so, or (c) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation or where the making of such offer, solicitation or invitation would impose any unfulfilled registration, qualification, publication or approval requirements on Punch, Bidco or any of their respective directors, officers, agents, affiliates and advisers. No action has been taken nor will be taken in any jurisdiction by any such person that would permit a public offering of any securities in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action for that purpose is required. Neither Punch nor Bidco nor their respective directors, officers, agents, affiliates or advisers accept any responsibility for any violation of any of these restrictions by any other person.

The Punch Directors, whose names are set out in paragraph 2.1 of Part Seven of the Scheme Document, accept responsibility for the information contained in this letter and the attachments to this letter (including, without limitation, all information in respect of Punch which had been incorporated by reference in this document), except for that information for which the Bidco Directors accept responsibility. To the best of the knowledge and belief of the Punch Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this letter and the attachments to this letter for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Bidco Directors, whose names are set out in paragraph 2.2 of Part Seven of the Scheme Document, accept responsibility for the information contained in this letter relating to Bidco, the Bidco Directors and their respective close relatives and the related trusts, and persons deemed to be acting in concert with Bidco (as such term is defined in the City Code on Takeovers and Mergers but for the purpose of this paragraph, excluding Heineken). To the best of the knowledge and belief of the Bidco Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this letter and the attachments to this letter for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

The GPCo Directors, whose names are set out in paragraph 2.3 of Part Seven of the Scheme Document, accept responsibility for the information contained in this letter relating to Bidco,

Patron Capital and persons deemed to be acting in concert with Bidco (as such term is defined in the City Code on Takeovers and Mergers, but for the purpose of this paragraph, excluding Heineken). To the best of the knowledge and belief of the GPCo Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

DRAFT

Punch Taverns plc Long-Term Incentive Plan 2008 Form of Election

This Form of Election is important and requires your immediate attention. It should be read with the enclosed explanatory letter and Scheme Document; definitions used in that explanatory letter and the Scheme Document apply in this Form of Election.

Please return the completed and signed Form of Election, along with your Award Certificate, as soon as possible and in any event so as to arrive by no later than 5 p.m. (UK time) on 28 February 2017. Please keep a copy of your completed Form of Election for your records. Please note that your Form of Election may not be accepted if it has not been completed correctly, cannot be read or is received after the deadline.

If you have any questions that relate to your LTIP Options, what your choices are or how to complete your Form of Election once you have decided what choice you wish to make, please email communication@punchtaverns.com.

Section 1. Your personal details

<i>Employee number</i>	
<i>Full Name</i>	
<i>Address</i>	
<i>Post code</i>	
<i>Telephone number</i>	
<i>Email address</i>	

Please amend your details if they are incorrect or insert them where the table is incomplete.

Section 2. Your Election

Please note: if you wish to exercise your LTIP Options on Court Sanction, please tick the box below.

<i>Grant Date</i>	<i>Exercise LTIP Options to extent vested on Court Sanction</i>
	<input type="checkbox"/>

Grant Date	Exercise LTIP Options to extent vested on Court Sanction
	<input type="checkbox"/>
	<input type="checkbox"/>

Shareholder Reference Number C1234567890

Section 3. Your declaration and signature

I hereby undertake to pay the exercise price applicable to my LTIP Options to Punch. I request that the exercise price be deducted from any sale proceeds payable to me under the Acquisition and is paid on to Punch.

I understand and accept that:

- the choices I have made on this Form of Election are irrevocable (save as permitted) unless the Acquisition does not proceed; and
- I have read and understood and agree to be bound by the terms and conditions set out at Appendix D to the explanatory letter and the rules of the LTIP.

Dated

Your signature

RETURN THIS FORM OF ELECTION TO *FAO Matthew Hitchen, Computershare Plan Managers, G Mill, Dean Clough Industrial Park, Halifax, HX3 5AH* BY 5 p.m. (UK time) on 28 February 2017