

THIS DOCUMENT AND THE ENCLOSED 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 Sharesave Scheme 2016 and the recommended cash offer for
Punch Taverns plc by Vine Acquisitions Limited**

Sharesave 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 Sharesave 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 enclosed Form of Election and return it to YBS Share Plans in the envelope provided 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
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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 Sharesave Options?

Normally, you would be entitled to continue saving under your savings contract until the end of your savings contract. At the end of the contract, you would be entitled to either withdraw your savings or use your savings to exercise your Sharesave Options and acquire Punch Shares.

However, as a result of the Acquisition, your Sharesave Options will be exercisable on Court Sanction to the extent of your savings at that date at an exercise price of 86.6 pence. Any Sharesave Options which are exercised will then be subject to the Scheme/Acquisition (see further Appendix A). To the extent you do not exercise on Court Sanction, you may exercise your Sharesave Options afterwards, to the extent of your savings on the date of exercise, until the twentieth day after the Effective Date. Any Punch Shares to which you are entitled will then be automatically acquired by Bidco for 180 pence per Punch Share (but 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, this consideration may decrease. Please see the Scheme Document for further information). Delay in exercise may result in delay of receipt of proceeds.

Bidco has agreed to compensate you for some of the loss of your ability to continue to save under the savings contract as a result of the Acquisition by offering to pay to you a one-off compensation payment, further details of which are set out in Appendix A.

If the Acquisition does not happen for any reason, your Sharesave Options will continue as normal, subject to the rules of the Sharesave, and you will not be entitled to any compensation payment.

If you exercise your Sharesave Options on Court Sanction, your money 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 for tax or social security contributions. Payroll is

expected to receive the relevant proceeds within 14 days of the Effective Date.

A detailed explanation of the way in which your Sharesave Options will be affected is set out in Appendix A to this letter, including the implications for your Sharesave Options if you leave employment. Appendix C to this letter summarises the tax implications of the exercise of your Sharesave Options and subsequent sale of Punch Shares.

Attachments and enclosures to this letter

The following are provided as attachments to this letter:

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

A Form of Election, which you will need to complete to exercise your Sharesave Options, is also enclosed with this letter.

What do I need to do?

1. You should read the attachments to this letter and the enclosed Form of Election.
2. If you want to exercise your Sharesave Options on Court Sanction, you should tick the relevant box in Section 2 of the enclosed Form of Election.
3. You must send your Form of Election to YBS Share Plans in the envelope provided. To ensure that you receive your 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 Sharesave 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 Sharesave 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 Sharesave 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

Yours faithfully



Duncan Garrood
Chief Executive Officer

For and on behalf of
Punch Taverns plc



Stephen Green
Director

For and on behalf of
Vine Acquisitions Limited

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Appendix A

Impact of the Acquisition on Sharesave Options

1. The impact on your Sharesave Options

Exercise of Sharesave Options

As a result of the Acquisition, your Sharesave Options will be exercisable, at an exercise price of 86.6 pence, on Court Sanction to the extent of your savings at that date. Any Sharesave Options which are exercised will then be subject to the Scheme/Acquisition. To the extent you do not exercise on Court Sanction, you may exercise your Sharesave Options afterwards, to the extent of your savings on the date of exercise, until the date falling 20 days after the Effective Date.

Any Punch Shares that you receive as a result of your Sharesave 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 Sharesave Options after Court Sanction but before the date falling 20 days after the Effective Date, 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.

Any unexercised Sharesave Options will lapse on the expiry of the date falling 20 days after the Effective Date. If you have not exercised your Sharesave Options, you will be entitled to receive your savings.

Compensation payment

If you exercise your Sharesave Options prior to the date falling 20 days after the Effective Date, Bidco has agreed to compensate you and you will receive, on the payroll date in the month following the date on which you exercise, a lump sum equivalent to the additional gain that you would have received had you continued saving at the rate set out in your savings contract(s) as at the date of exercise for another 12 months after the date of exercise (the "**Additional Payment**"). The Additional Payment will be grossed up to reflect any income tax or national insurance contributions that may be payable on receipt of this sum.

For example, if you contribute £10 per month then the additional amount of Punch Shares that you would have received after 12 months would, at an exercise price of 86.6 pence, be approximately 138 shares. At an offer price of 180 pence per Punch Share less the option price of 86.6 pence per Punch Share, this would have entitled you to receive approximately £129.

The Additional Payment will be taxed when paid to you. It is therefore increased to reflect that had you been able to exercise these Sharesave Options under the Sharesave, you would have received the £129 tax-free. This grossed-up amount would then be paid to you via payroll, subject to tax, and should result in you receiving an overall amount of £129.

Other

If the Acquisition does not happen for any reason, you will be able to continue saving as normal, subject to the rules of the Sharesave but you will not be entitled to the Additional Payment.

If you exercise your Sharesave Options on Court Sanction, you will receive your proceeds through payroll as soon as reasonably practicable following receipt by payroll of the proceeds. Payroll is expected to receive the relevant proceeds within 14 days of the Effective Date.

The Additional Payment will be paid to you on the payroll date in the month following the date on which you exercise.

2. Leaving Punch before or after Court Sanction

Leaving Punch before Court Sanction

The leaver arrangements under the Sharesave 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 Sharesave rules your unvested Sharesave Options will lapse on the date that your employment ceases and you will not be entitled to receive the Additional Payment. You will however be entitled to the return of your savings.

If you leave Punch before Court Sanction as a “good leaver” (for example, because of injury or disability or because you retire), your Sharesave Options will vest on the date on which you leave employment but will, if it falls within six months of your leaving, lapse on the date falling 20 days after the Effective Date. If you exercise your Sharesave Options, you will be entitled to receive the Additional Payment.

Leaving Punch after Court Sanction

Provided you have exercised your Sharesave Options on Court Sanction, your Sharesave 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 Sharesave Options on Court Sanction, your Sharesave Options may lapse if you leave prior to exercise in the same circumstances as listed above, and you may lose entitlement to the Additional Payment.

3. Making your decision

In order to exercise your Sharesave Options on Court Sanction, you should tick the relevant box in Section 2 of the enclosed Form of Election.

Regardless of which choice you make, you must send your Form of Election to YBS Share Plans in the envelope provided. **To ensure that you receive your proceeds at the earliest opportunity, this needs to arrive by no later than 5 p.m. (UK time) on 28 February 2017.**

If you do not exercise at all, your Sharesave Options will lapse on the expiry of the date falling 20 days after the Effective Date.

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 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)	All Sharesave Options vest
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 payroll is expected to receive the cash proceeds 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.
20 days after the Effective Date	Unexercised Sharesave Options lapse.
Payroll date in the month following the date on which you exercise	Additional payment to be paid.

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 Sharesave or any relevant legislation, the rules and the legislation will prevail.

Appendix B

A brief explanation of some definitions

“Additional Payment” means the compensation payment described in section 1 of Appendix A;

“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;

“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;

“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;

“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;

“Sharesave” means the Punch Taverns plc Sharesave Scheme 2016, as amended; and

“Sharesave Options” means options over Punch Shares granted to employees and former employees of Punch and its subsidiaries under the Sharesave.

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 Sharesave 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 Sharesave 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 Sharesave Options using the Form of Election, then you should not be subject to income tax or National Insurance contributions on such exercise.

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.

As your Sharesave Options are tax advantaged under the UK regime, your gain for CGT purposes will 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) exceeds the aggregate exercise price (which is 86.6 pence per option) paid for those Punch Shares.

3. Receipt of Additional Payment

If you receive the Additional Payment, this will be paid subject to deductions for income tax and National Insurance contributions. The amount you receive will be increased to reflect this deduction and is intended so far as possible to provide you with an amount equal to the amount you would have received had you continued to save for 12 more months and then been able to exercise your Sharesave Options tax free and dispose of the resulting Punch Shares under the Scheme.

Appendix D

Completing the Form of Election

Terms and conditions

By completing and submitting the enclosed 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 Sharesave 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 Sharesave 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 Sharesave Options have lapsed or lapse before Court Sanction, the completion of the Form of Election will be of no effect in relation to those Sharesave Options;
- (c) authorise Yorkshire Building Society to close your savings account with effect from Court Sanction and forward the proceeds to Punch to pay your exercise price of 86.6 pence per Punch Share and buy Punch Shares on your behalf;
- (d) instruct Punch to stop making deductions from your salary into your savings account after the payroll date immediately preceding exercise of your Sharesave Options;
- (e) 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;
- (f) accept that documents or payments sent by, to or from you in connection with your Sharesave Options will be sent at your own risk to the address shown on the Form of Election;
- (g) 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;
- (h) 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 Sharesave Options in accordance with the Form of Election;
- (i) acknowledge that if you decide to exercise your Sharesave Options conditionally upon the Scheme being sanctioned by the Court, you irrevocably agree to exercise such Sharesave Options that you have indicated you wish to exercise on the Form of Election on the day of Court Sanction;
- (j) acknowledge that any Punch Shares you acquire on the exercise of any Sharesave 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;
- (k) 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 Sharesave Option;

- (l) authorise any arrangements necessary for the cash consideration to be paid to you less any required local law deductions for taxation and/or social security contributions;
- (m) 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;
- (n) 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
- (o) 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/the Form of Election and the rules of the Sharesave or applicable legislation, the rules of the Sharesave or applicable legislation (as appropriate) will prevail.

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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.

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