16 May 2006

Unaudited Interim Results of Enterprise Inns plc for the six months ended 31 March 2006

Enterprise Inns plc (Enterprise), a leading operator of leased and tenanted pubs in the UK, today announces its interim results for the six months ended 31 March 2006. These are the first set of results reported under International Financial Reporting Standards (IFRS) and comparatives have been re-stated accordingly.

Interim results highlights

▪ EBITDA* £268 million (2005: £257 million)	Up 4.3%
▪ Profit before tax and exceptional items £153 million (2005: £136 million)	Up 12.5%
▪ Earnings per share 38.1 pence (2005: 28.2 pence)	Up 35%
▪ Adjusted earnings per share 31.8 pence (2005: 27.1 pence)	Up 17%
▪ Interim dividend of 9.0 pence (2005: 5.6 pence)	Up 61%
▪ Average EBITDA per pub £31,200 (2005: £29,600)	Up 5.4%
▪ 21.1 million shares purchased at a cost of £192 million	

* Earnings before interest, tax, depreciation and amortisation

Commenting on the results, Ted Tuppen, Chief Executive said:

"We are today publishing yet another strong set of results, achieved against a background of weak consumer spending and increasing cost and legislative pressures on our licensees. The strength of this performance reflects our commitment to constantly improving the quality of our pub estate and to providing top quality support to our licensees in this challenging market.

The second half of the year has started well and we look forward to delivering continuing growth in shareholder value."

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The investor presentation will be available on the company website at www.enterpriseinns.com on Tuesday 16th May 2006. A live recording of the presentation can be accessed at 9.30am BST by dialling +44(0)20 7162 0025. A recorded version will be available from 12 noon BST on +44(0)20 7031 4064 passcode 703241 (for European callers) or +1 954 334 0342 passcode 703241 (for US callers).

CHAIRMAN'S INTERIM STATEMENT

I am delighted to report on our interim results for the six months to 31 March 2006, which are the first set of results published using International Financial Reporting Standards (IFRS). The re-stated financial results under IFRS for the year ended 30 September 2005 and the six months ended 31 March 2005 were published on 4 May 2006 and are available on the Group's website at http//www.enterpriseinns.com/investorzone/.

EBITDA in the period increased by 4.3% to £268 million and profit before tax and exceptional items rose by 12.5% to £153 million. Basic earnings per share increased by 35% to 38.1 pence and adjusted earnings per share increased by 17% to 31.8 pence. The directors intend to pay an interim dividend of 9.0 pence per share on 4th July 2006 to shareholders on the register of members on 9 June 2006. The group has historically declared approximately one-third of the full year dividend at the half-year.

Free cash inflow after interest, tax, dividend and capital expenditure amounted to £40 million in the period. At the end of the period, gross debt was £3,407 million with interest costs 100% fixed at an average rate of 6.8% for 13 years. Taking account of £84 million of cash within the business, underlying net debt was £3,323 million. On 15 May 2006, the Group agreed a refinancing of its syndicated debt at attractive rates, increasing the size of the facility from £490 million up to £1 billion, non-amortising, for a five-year term.

In November, the Group commenced a rolling share buy-back programme to return cash to shareholders and to ensure that the balance sheet remains efficient. As at the 31 March we had purchased 21.1 million shares for total consideration of £192 million (including costs) and since that date we have purchased a further 1.0 million shares at a cost of £10 million. Taking account of the cash flow needs of the business and subject always to the availability of good quality acquisition opportunities at sensible prices, we will continue to buy back shares in the second half of the financial year and beyond.

We continue to enhance the quality of the pub estate through investment, acquisitions and disposals. During the period we acquired 65 pubs at a cost of £58 million and sold 76 pubs realising proceeds of £20 million. Capital expenditure of £26 million was invested in the pub estate, which, alongside licensees' expenditure will improve the quality and potential of their pub businesses. At 31 March 2006, the estate comprised 8,579 pubs.

Average EBITDA per pub in the first half of the year was £31,200, based on an average of 8,594 pubs in the period. This represents an annual increase of 5.4% in the average EBITDA per pub of £29,600 over the first half of the prior financial year.

It is too early to draw definitive conclusions on the impact of the total ban on smoking in pubs in Scotland introduced at the end of March this year. As a result of the efforts of our licensees, we have been pleased with the performance of our 139 Scottish pubs, although overall beer volumes and gaming machine income are marginally down compared to the rest of our estate in England and Wales. Encouragingly for all concerned, it appears that customers have accepted the ban with equanimity. In the medium term, we expect that poorer quality, predominantly wet-led pubs will almost inevitably suffer some permanent decline in trade, whilst better quality pubs with a more diverse offering, including some form of external trading area, will gain new customers and market share and have the opportunity to grow profitability.

A total ban on smoking in pubs will be imposed in England and Wales next year and we are encouraged by the optimism of our licensees, who in most cases see the ban as an opportunity to develop their businesses and attract new customers. It is now essential that the Government urgently provides clear regulations and guidance to a realistic timetable which will allow licensees and local authorities to implement the proposals in an effective manner.

On 24th April 2006, the Group announced that Gordon Harrison, Operations Director, will be retiring from the business at the end of September this year. Gordon joined Enterprise Inns on its formation in 1991 as one of our first regional managers, was appointed to the Board at the time of the flotation in 1995 and, since that time has made a tremendous contribution to the successful growth and development of the company, leading the operations team through a series of highly successful acquisitions and integrations. The Board offers sincere thanks to Gordon for all his efforts on the Company's behalf and wishes him a very happy retirement. On the same date, we announced that Simon Townsend, currently Customer Services Director, will be promoted to the post of Chief Operating Officer with effect from 1st October 2006. Simon joined the company in February 1999 as Director of Marketing and Logistics and joined the Board as Customer Services Director in October 2000.

These interim results reflect a good business performance in a market made challenging by relative weakness in consumer expenditure and continuing cost and legislative pressures on our licensees. We continue to strengthen the team at all levels to support our drive for increased profitability through improvements in all aspects of the business and will further enhance shareholder value through the optimal use of cash generated.

H V Reid
Chairman
16 May 2006

Group Income Statement

	Notes	**Unaudited Six months ended 31 March 2006**			Unaudited Six months ended 31 March 2005			Audited Year ended 30 September 2005		
		Pre-exceptional items	**Exceptional items**	**Total**	Pre-exceptional items	Exceptional items	Total	Pre-exceptional items	Exceptional items	Total
		£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue		**473**	**-**	**473**	470	-	470	952	-	952
Cost of sales		**(186)**	**-**	**(186)**	(192)	-	(192)	(385)	-	(385)
Gross profit		**287**	**-**	**287**	278	-	278	567	-	567
Administrative expenses		**(19)**	**-**	**(19)**	(21)	-	(21)	(39)	-	(39)
EBITDA *		**268**	**-**	**268**	257	-	257	528	-	528
Depreciation and amortisation		**(4)**	**-**	**(4)**	(5)	-	(5)	(10)	-	(10)
Group operating profit		**264**	**-**	**264**	252	-	252	518	-	518
Net profit on sale of property		**-**	**2**	**2**	-	1	1	-	3	3
Movements from revaluation of pub estate		**-**	**-**	**-**	-	-	-	-	3	3
Interest receivable		**3**	**-**	**3**	5	-	5	9	-	9
Interest payable		**(114)**	**-**	**(114)**	(121)	-	(121)	(237)	-	(237)
Write off of unamortised issue costs		**-**	**-**	**-**	-	(5)	(5)	-	(5)	(5)
Movement in fair value of interest rate swaps		**-**	**21**	**21**	-	(4)	(4)	-	(20)	(20)
Total finance costs		**(114)**	**21**	**(93)**	(121)	(9)	(130)	(237)	(25)	(262)
Profit before tax		**153**	**23**	**176**	136	(8)	128	290	(19)	271
Tax on profit on ordinary activities	4	**(47)**	**(2)**	**(49)**	(43)	12	(31)	(90)	25	(65)
Profit after tax and attributable to members of the parent company		**106**	**21**	**127**	93	4	97	200	6	206
Earnings per Share										
Basic	5			**38.1p**			28.2p			60.2p
Diluted	5			**37.7p**			27.9p			59.4p
Adjusted	5	**31.8p**			27.1p			58.4p		
Adjusted diluted	5	**31.5p**			26.8p			57.7p		
Dividends										
Dividends paid and/or proposed per share in respect of the period	6			**9.0p**			5.6p			18.0p

* Earnings before interest, tax, depreciation and amortisation

Group Statement of Recognised Income and Expense

	Unaudited Six months ended 31 March 2006 £m	Unaudited Six months ended 31 March 2005 £m	Audited Year ended 30 September 2005 £m
Unrealised surplus on revaluation of licensed estate	**-**	-	273
Movement of deferred tax liability related to revalued licensed estate	**16**	4	(74)
Actuarial gain on defined benefit pension scheme	**-**	-	1
Deferred tax relating to share schemes recognised directly in equity	**2**	4	7
Net income recognised directly in equity	**18**	8	207
Profit for the period	**127**	97	206
Total recognised income and expense	**145**	105	413

Statement of Changes in Equity

	Unaudited Six months ended 31 March 2006 £m	Unaudited Six months ended 31 March 2005 £m	Audited For the year ended 30 September 2005 £m
Total equity at start of period	**1,574**	1,240	1,240
Total recognised income and expense for the period	**145**	105	413
Equity dividends paid	**(42)**	(29)	(48)
Consideration paid for purchase of own shares	**(192)**	-	-
Purchase of shares to be held in trust	**(1)**	(22)	(37)
Proceeds received from exercise of employee share options	**4**	2	3
Share-based expense recognised in operating profit	**2**	2	3
Total equity at end of period	**1,490**	1,298	1,574

Group Balance Sheet

	Unaudited 31 March 2006 £m	Unaudited 31 March 2005 £m	Audited 30 September 2005 £m
Non-current assets			
Goodwill	**417**	417	417
Intangible assets: lease premiums	**26**	28	27
Property, plant and equipment	**5,212**	4,877	5,157
	5,655	5,322	5,601
Pubs held for sale	**39**	25	36
Current assets			
Assets held for sale	**8**	5	7
Debtors	**93**	85	81
Cash	**84**	101	96
	185	191	184
Total assets	**5,879**	5,538	5,821
Current liabilities			
Creditors	**(190)**	(209)	(217)
Current tax payable	**(55)**	(44)	(46)
Financial liabilities	**(66)**	(36)	(35)
Provisions	**(1)**	(1)	(1)
	(312)	(290)	(299)
Non-current liabilities			
Financial liabilities	**(3,484)**	(3,429)	(3,347)
Accruals and deferred income	**(5)**	-	(5)
Provisions	**(6)**	(4)	(7)
Deferred tax	**(582)**	(515)	(589)
Pension liabilities	**-**	(2)	-
	(4,077)	(3,950)	(3,948)
Total liabilities	**(4,389)**	(4,240)	(4,247)
Net Assets	**1,490**	1,298	1,574
Equity			
Called up share capital	**17**	17	17
Share premium account	**486**	486	486
Revaluation reserve	**681**	474	667
Capital redemption reserve	**8**	8	8
Merger reserve	**77**	77	77
Treasury share reserve	**(191)**	-	-
Other reserve	**(47)**	(44)	(56)
Profit and loss account	**459**	280	375
Total equity	**1,490**	1,298	1,574

Group Cash Flow Statement

	Unaudited Six months ended 31 March 2006 £m	Unaudited Six months ended 31 March 2005 £m	Audited Year ended 30 September 2005 £m
Cash flow from operations			
Operating profit	**264**	252	518
Depreciation and amortisation	**4**	5	10
Share-based expense recognised in profit	**2**	2	3
(Increase)/decrease in debtors	**(9)**	2	5
Decrease in creditors	**(5)**	(4)	(12)
(Decrease)/increase in provisions	**(1)**	(1)	2
Increase in current assets held for sale	**(1)**	-	(2)
	254	256	524
Tax paid	**(29)**	(20)	(53)
Net cash flows from operating activities	**225**	236	471
Cash flows from investing activities			
Payments to acquire public houses	**(58)**	(7)	(14)
Payments made on improvements to public houses	**(26)**	(26)	(49)
Payments to acquire other property, plant and equipment	**(4)**	-	(1)
Receipts from sale of property, plant and equipment	**20**	27	47
Net cash flows from investing activities	**(68)**	(6)	(17)
Cash flows from financing activities			
Interest paid	**(116)**	(129)	(244)
Interest received	**3**	6	9
Issue costs of long-term loans	**-**	(1)	(2)
Equity dividends paid	**(42)**	(29)	(48)
Payments to acquire shares held in employee benefit trust	**(16)**	(22)	(23)
Payments to acquire own shares	**(192)**	-	-
Receipts from exercise of share options	**4**	2	3
Debt due within one year			
– repayment of short term loans	**-**	(30)	-
Debt due beyond one year			
– new long term loans	**326**	681	771
– repayment of long term loans	**(136)**	(754)	(971)
Net cash flows from financing activities	**(169)**	(276)	(505)
Net decrease in cash	**(12)**	(46)	(51)
Cash at start of period	**96**	147	147
Cash at end of period	**84**	101	96

Reconciliation of net cash flow to movement in net debt

	Unaudited Six months ended 31 March 2006 £m	Unaudited Six months ended 31 March 2005 £m	Audited Year ended 30 September 2005 £m
Decrease in cash in the period	**(12)**	(46)	(51)
Cash (inflow)/outflow from change in debt	**(190)**	103	200
Issue costs of new long term loans	**-**	1	2
Change in net debt resulting from cash flows	**(202)**	58	151
Amortisation of issue costs and discounts/premiums on long-term loans	**(1)**	(2)	(4)
Amortisation of securitised bonds	**2**	2	5
Change in fair value of interest rate swaps	**21**	(4)	(20)
Write off of unamortised issue costs	**-**	(5)	(5)
Movement in net debt in the period	**(180)**	49	127
Net debt at start of period	**(3,286)**	(3,413)	(3,413)
Net debt at end of period	**(3,466)**	(3,364)	(3,286)

Analysis of net debt

	Unaudited Six months ended 31 March 2006 £m	Unaudited Six months ended 31 March 2005 £m	Audited Year ended 30 September 2005 £m
Corporate bonds	**(1,185)**	(1,185)	(1,185)
Syndicated bank borrowings	**(468)**	(350)	(260)
Securitised bonds	**(1,754)**	(1,779)	(1,772)
Gross debt	**(3,407)**	(3,314)	(3,217)
Cash	**84**	101	96
Underlying net debt	**(3,323)**	(3,213)	(3,121)
Capitalised debt issue costs	**26**	28	27
Fair value adjustments on acquisition of bonds	**(75)**	(80)	(77)
Fair value of interest rate swaps	**(88)**	(93)	(109)
Finance lease creditors	**(6)**	(6)	(6)
Net debt	**(3,466)**	(3,364)	(3,286)
Balance sheet:			
Current financial liabilities	**(66)**	(36)	(35)
Non-current financial liabilities	**(3,484)**	(3,429)	(3,347)
Cash	**84**	101	96
Net debt	**(3,466)**	(3,364)	(3,286)

Notes

1. Publication of non-statutory accounts

The financial information contained in this interim statement, which is unaudited, does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 30 September 2005 have been derived from the UK GAAP statutory accounts, which have been filed with the registrar of companies and on which the auditors gave an unqualified opinion, as restated to comply with International Financial Reporting Standards (IFRS).

2. Accounting policies and basis of preparation of interim financial information

With effect from 1 October 2005, Enterprise Inns Plc moved to reporting its Group financial results in accordance with IFRS as required by European Union Law. These interim results have therefore been prepared in accordance with the IFRS accounting policies expected to apply at 30 September 2006. The results for prior periods have been re-stated using IFRS so that proper comparison can be made with the results for the current period.

The Group's IFRS accounting policies along with reconciliations of the results for the periods to 31 March 2005 and 30 September 2005 from UK GAAP into IFRS were published on 4 May 2006. The document 'Re-statement of financial information under International Financial Reporting Standards' is available on the company's website at http://www.enterpriseinns.com/investor_zone/

As permitted, this interim report has been prepared in accordance with UK listing rules and not in accordance with IAS 34 'Interim Financial Reporting' and is therefore not fully compliant with IFRS.

3. Exceptional items

The Group has elected to classify certain items as exceptional and present them separately on the face of the Income Statement. Exceptional items are classified as those which are separately identified by virtue of their size or nature to allow a full understanding of the underlying performance of the Group and include the following:

Net profit on sale of property

Net profit arising from the sale of pubs.

Movements from revaluation of pub estate

Under IFRS any revaluation that causes the book value of a pub to fall below historic cost will lead to a charge in the Income Statement. If that same pub later recovers in value so that its book value exceeds historic cost, the increase in value is credited to the Income Statement to the extent that a debit was previous recognised. Most of the impact of the annual revaluation exercise is accounted for in equity and recognised in the Statement of Recognised Income and Expense.

Movement in fair value of interest rate swaps

Under IFRS the interest rate swaps are re-valued to fair value at each Balance Sheet date and the movement is recognised in the Income Statement unless hedge accounting is adopted. The Group has elected not to adopt hedge accounting for all existing swaps. The movement in relation to the swaps will vary periodically and could result in increased volatility in the Income Statement.

Tax

Under IFRS, a deferred tax liability has been recognised on the balance sheet relating to the pub estate. On transition to IFRS, the Group elected to re-visit some business combinations which led to an increase in goodwill in respect of this deferred tax. As this pre-acquisition liability reduces due to capital gains indexation relief, a credit is recognised in the Income Statement. All other movements in respect of this deferred tax liability are accounted for in equity and recognised in the Statement of Recognised Income and Expense.

The tax effect of all other listed exceptional items is also included in exceptional items.

4. Taxation

The pre-exceptional tax charge of £47m for the six months equates to an effective tax rate of 30.7%. The effective tax rate does not include the effect of exceptional items.

5. Earnings per Ordinary Share

Basic earnings per ordinary share is based on earnings of £127m (2005 six months £97m, full year £206m) and on 333.4m (2005 six months 343.4m, full year 342.4m) ordinary shares in issue excluding shares held by trusts relating to employee share options.

Adjusted earnings per share is based on earnings adjusted for the effects of exceptional items, net of tax, of £106m (2005 six months £93m, full year £200m) and on 333.4m (2005 six months 343.4m, full year 342.4m) ordinary shares in issue excluding shares held by trusts relating to employee share options.

Diluted earnings per share is based on basic earnings of £127m (2005 six months £97m, full year £206m) and adjusted earnings of £106m (2005 six months £93m, full year £200m) and on 336.9m (2005 six months 347.4m, full year 346.6m) ordinary shares in issue adjusting for shares held by trusts relating to employee share options.

6. Dividends

An interim dividend of 9.0 pence per Ordinary Share is proposed (2005: interim 5.6 pence; final 12.4 pence) which amounts to £29m (2005: interim £19m; final £42m). This will be payable on 4 July 2006 to shareholders on the register of members on 9 June 2006.

Independent review report to Enterprise Inns Plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 March 2006 which comprises Group Income Statement, Group Statement of Recognised Income and Expense, Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement and Reconciliation of Net Cash Flow to Movement in Net Debt, Analysis of Net Debt, and the related notes 1 to 6. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 2, the next annual financial statements of the Group will be prepared in accordance with those IFRSs adopted for use by the European Union. The accounting policies are consistent with those that the directors intend to use in the next financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2006.

Ernst & Young LLP
Birmingham
16 May 2006