Interim Results

31 March 2006

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Financial highlights

6 months to 31 March 2006

- EBITDA up 4.3% to £268m
- Profit before tax and exceptionals up 12.5% to £153m
- Earnings per share up 35% to 38.1 pence
- Adjusted earning per share up 17% to 31.8 pence
- Interim dividend up 61% to 9.0 pence
- Average EBITDA per pub up 5.4%
- 21.1m shares purchased at a cost of £192m

Profit & loss account

Adjusted EPS up 17%

£m	6 months to 31 March 2006	2005	Increase %	Year to 30 Sept 2005
Revenue	473	470		952
EBITDA	268	257	4.3	528
Depreciation	(4)	(5)		(10)
Interest	(111)	(116)		(228)
PBT and exceptional items	153	136	12.5	290
Mark to market swaps	21	(4)		(20)
Other exceptional items	2	(4)		1
Taxation	(49)	(31)		(65)
Profit after tax	127	97		206
EPS (p)	38.1	28.2	35.1	60.2
Adjusted EPS (p)	31.8	27.1	17.3	58.4
Dividend per share	9.0	5.6	60.7	18.0

EBITDA

EBITDA up 4.3%

	6 Months to 31 March		Increase	Year to 30 Sept
£m	2006	2005	%	2005
Revenue	473	470		952
Cost of sales	(186)	(192)		(385)
Gross profit	287	278	3.2	567
Administrative expenses	(19)	(21)		(39)
EBITDA	268	257	4.3	528
Pubs at period end	8,579	8,644		8,590
Average pub numbers	8,594	8,687		8,651
Average EBITDA per pub	31.2	29.6	5.4	63.2
Gross margin	60.7%	59.1%		59.6%

Cash flow statement

Free cash inflow of £40m

£m	6 Months to 31 March 2006	6 Months to 31 March 2005	Year to 30 Sept 2005
Operating profit	264	252	518
Operating cash inflow	254	256	524
Interest	(113)	(123)	(235)
Tax	(29)	(20)	(53)
	112	113	236
Dividends	(42)	(29)	(48)
Pub capital expenditure	(26)	(26)	(49)
Other capital expenditure	(4)	-	(1)
Free cash inflow	40	58	138

Taxation

Cash tax outflow of 19%

	6 Months to 31 March				Year to 30 Sept	
£m	2006	%	2005	%	2005	%
PBT	153		136		290	
Tax	(47)	31	(43)	32	(90)	31
Profit after tax	106		93		200	
Cash Outflow	(29)	19	(20)	15	(53)	18

Note – excludes exceptional items

Balance sheet

Pub estate valued at £5.2billion

£m	31 March 2006	31 March 2005	30 Sept 2005
Goodwill	417	417	417
Pubs and similar assets	5,277	4,930	5,220
Net debt	(3,466)	(3,364)	(3,286)
Net other liabilities	(156)	(170)	(188)
Deferred tax	(582)	(515)	(589)
Net worth	1,490	1,298	1,574

Share buyback

First half progress

	Total value £m	Price per share £	No of shares m
Shares bought into treasury	192	9.10	21.1
Shares at 31 March 2006	3126	9.52	328.4
Shares bought during close period*	9	9.28	0.9

6% of share capital bought into treasury in 6 months

* As at 12 May 2006

Debt structure

Underlying net debt increased by only £110m

£m	31 March 2006	31 March 2005	30 Sept 2005
Corporate bonds	(1,185)	(1,185)	(1,185)
Bank debt	(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)
Other (including mark to market of swaps)	(143)	(151)	(165)
Net debt	(3,466)	(3,364)	(3,286)

Bank debt facility

New £1bn facility

- 5 year term
- Bullet repayment
- Margin
  - Opening : 60 bp
  - At optimal leverage : 80 bp
- Constant covenants (Enterprise)
  - Net debt to EBITDA 6.5x
  - Interest cover 2.0x

IFRS

Summary of impact

- Restated accounts for 2005 published on 4 May 2006
- Impacts consistent with previous guidance
- No impact on cash generation or debt covenants
- Pubs subject to c.£6m pa depreciation charge
- Pub revaluations subject to deferred tax provisioning
- Potential volatility in exceptional items, due to revised accounting for
  - Interest rate swaps
  - Pub revaluations

Interest rate swaps

Swaps expire by 2013

	Principal £m	Fixed rate	Expires	MTM March 06 £m
Laurel (May 2002)	550	6.66%	June 2012	(55)
Unique (March 2004) (amortising)	380	7.47%	Sept 2013	(33)

Interest rate swaps

Impact of transition to IFRS

UK GAAP – MTM at acquisition

£m	2004	2005	2006	2007
UK GAAP - Credit to p&l account interest	8	13	12	11
- Balance sheet at period end	(68)	(55)	(43)	(32)

IFRS – MTM at each period end

£m	2004	2005	2006	2007
IFRS - (Charge) / credit to <u>exceptional</u> interest	27	(20)	32*	18*
- Balance sheet at period end	(89)	(109)	(77)*	(59)*

* Forecast based upon 3 month libor yield curve at 31 March 2006 – subject to daily change

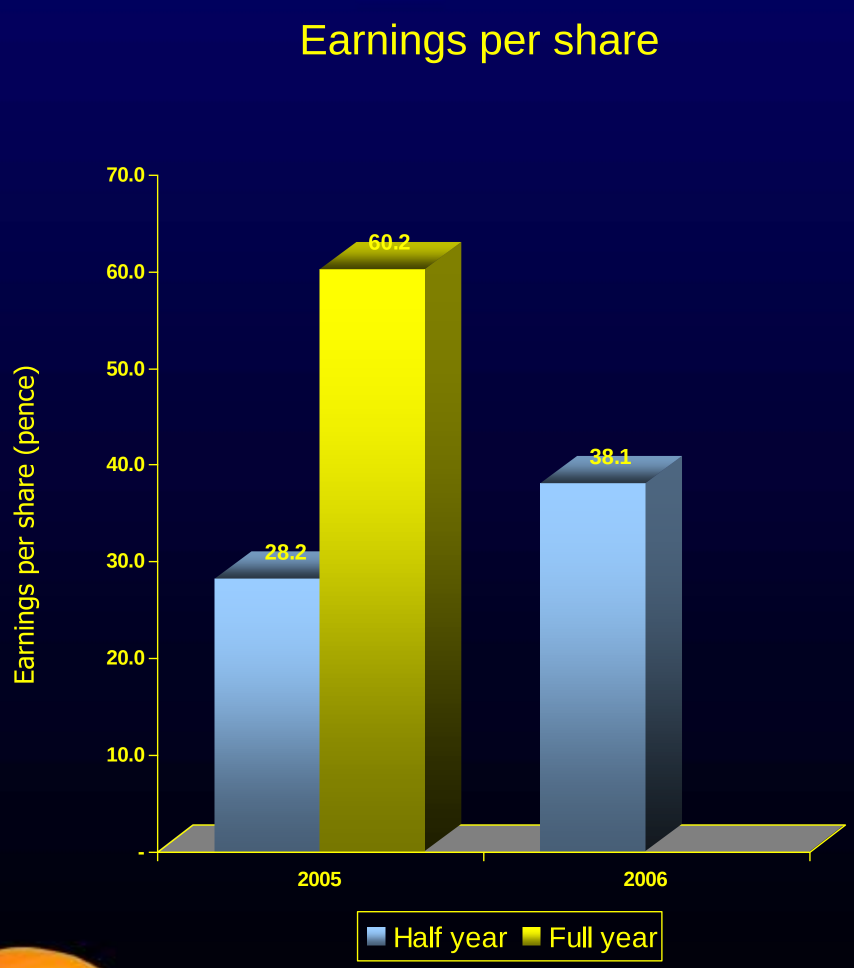
Operating highlights

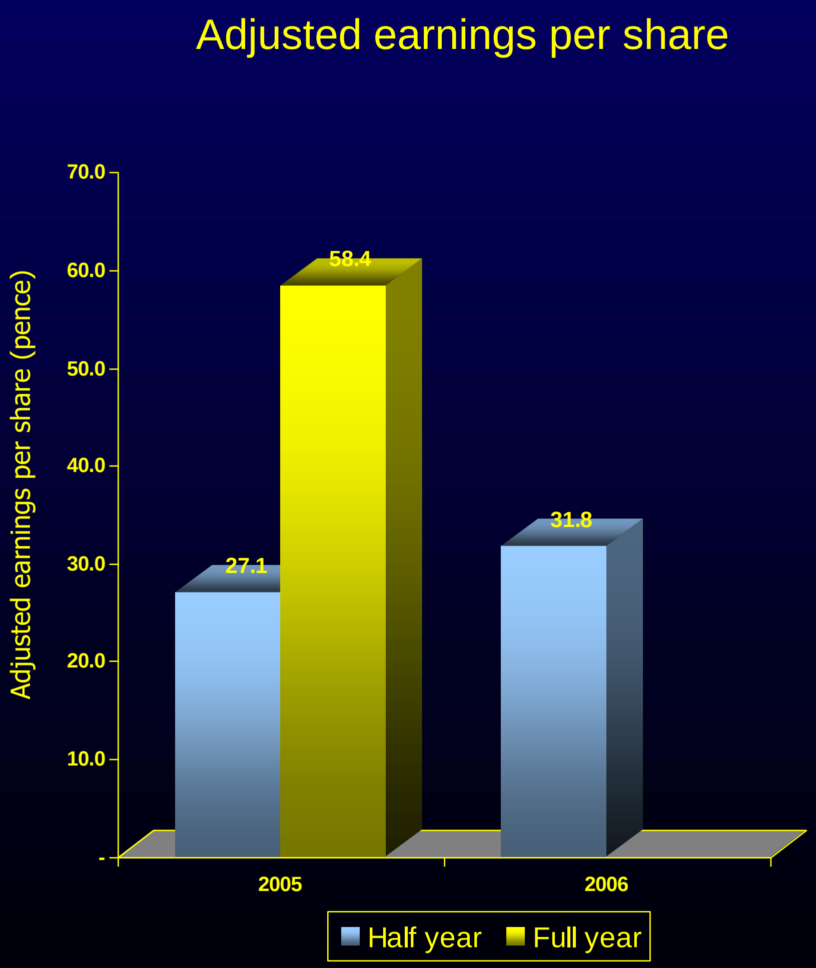
6 months to 31 March 2006

- Profit before tax and exceptionals up 12.5% to £153m
- Average EBITDA per pub up 5.4% to £31,200
- £26m capital expenditure invested into the estate
- 65 high quality acquisitions for £58m
- 76 underperforming and high AUV outlets sold for £20m

Earnings per share

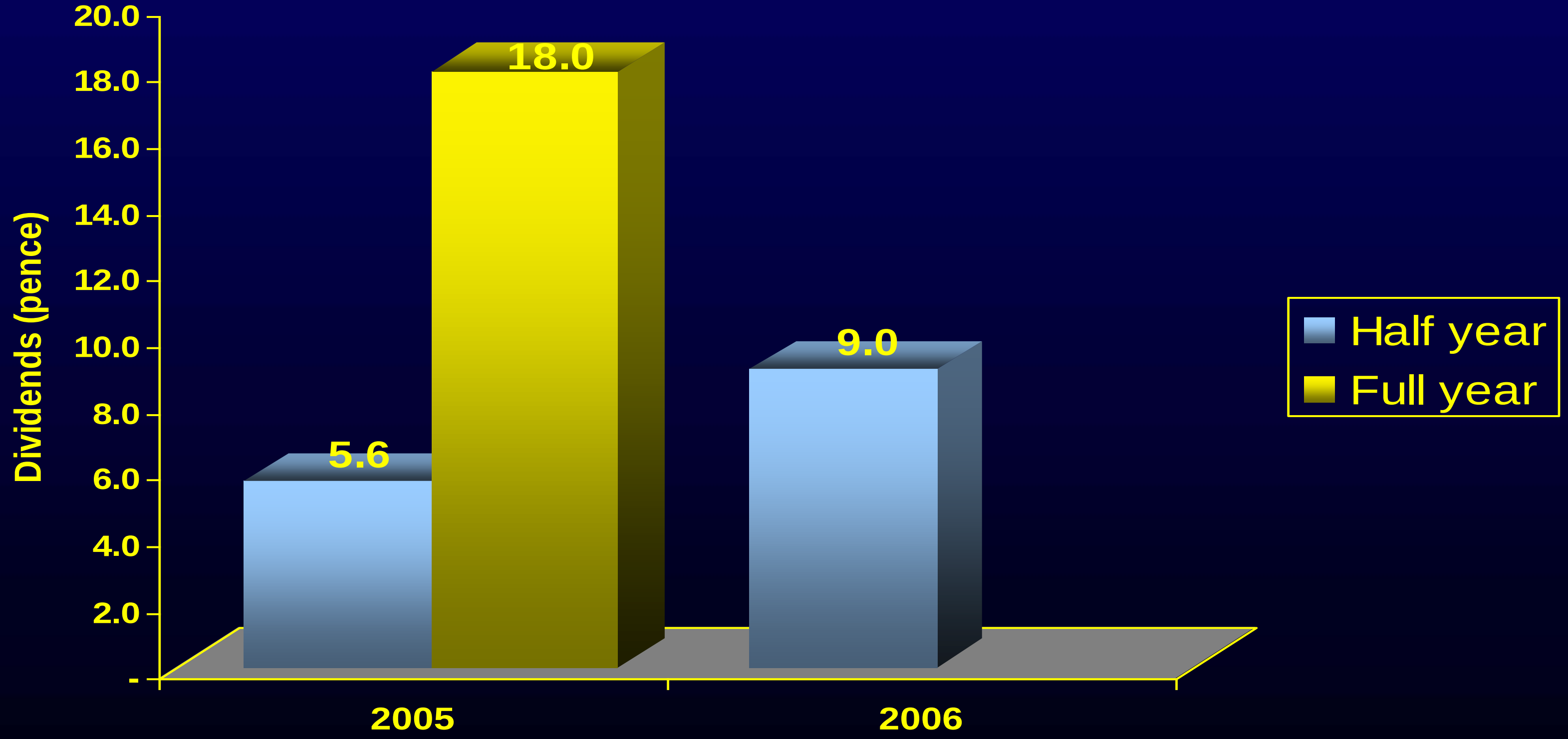
Annual growth 35% EPS, 17% adjusted EPS





Dividends

Half year dividend up 61%

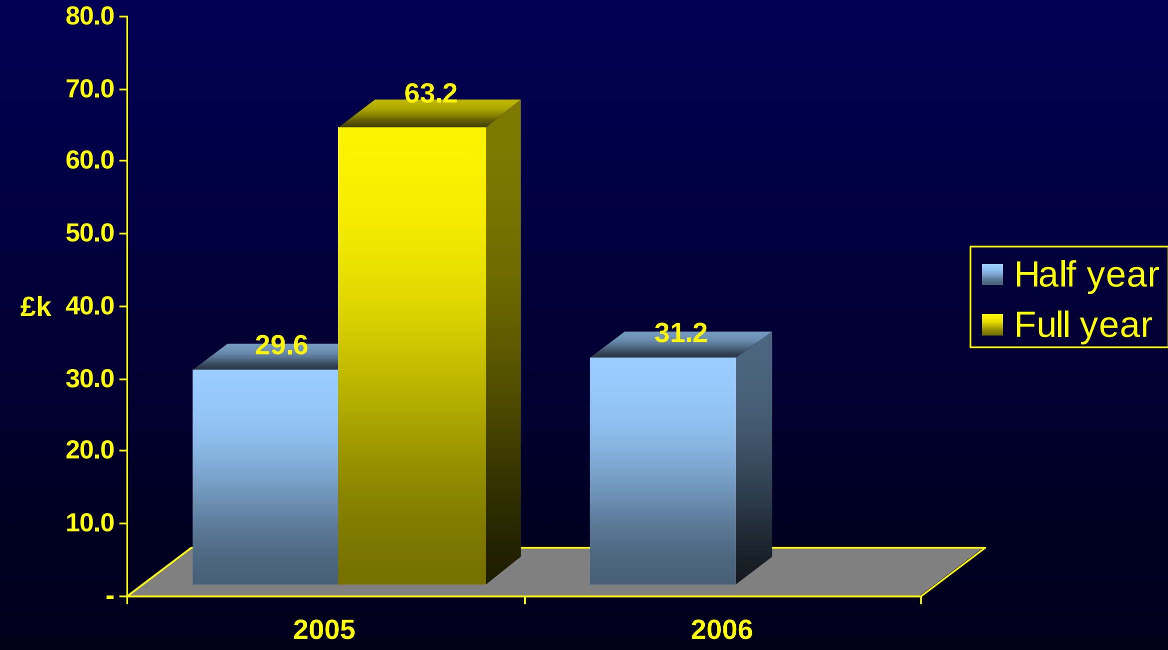


Dividend Cover (EPS)	3.3x
Dividend cover (adj EPS)	3.2x

EBITDA per pub

Improved by 5.4%

	6 Months to Mar	
	2006	2005
	Group H1	Group H1
EBITDA (£m)	268	257
Average Pub numbers	8,594	8,687
Average EBITDA per pub (£'000)	31.2	29.6

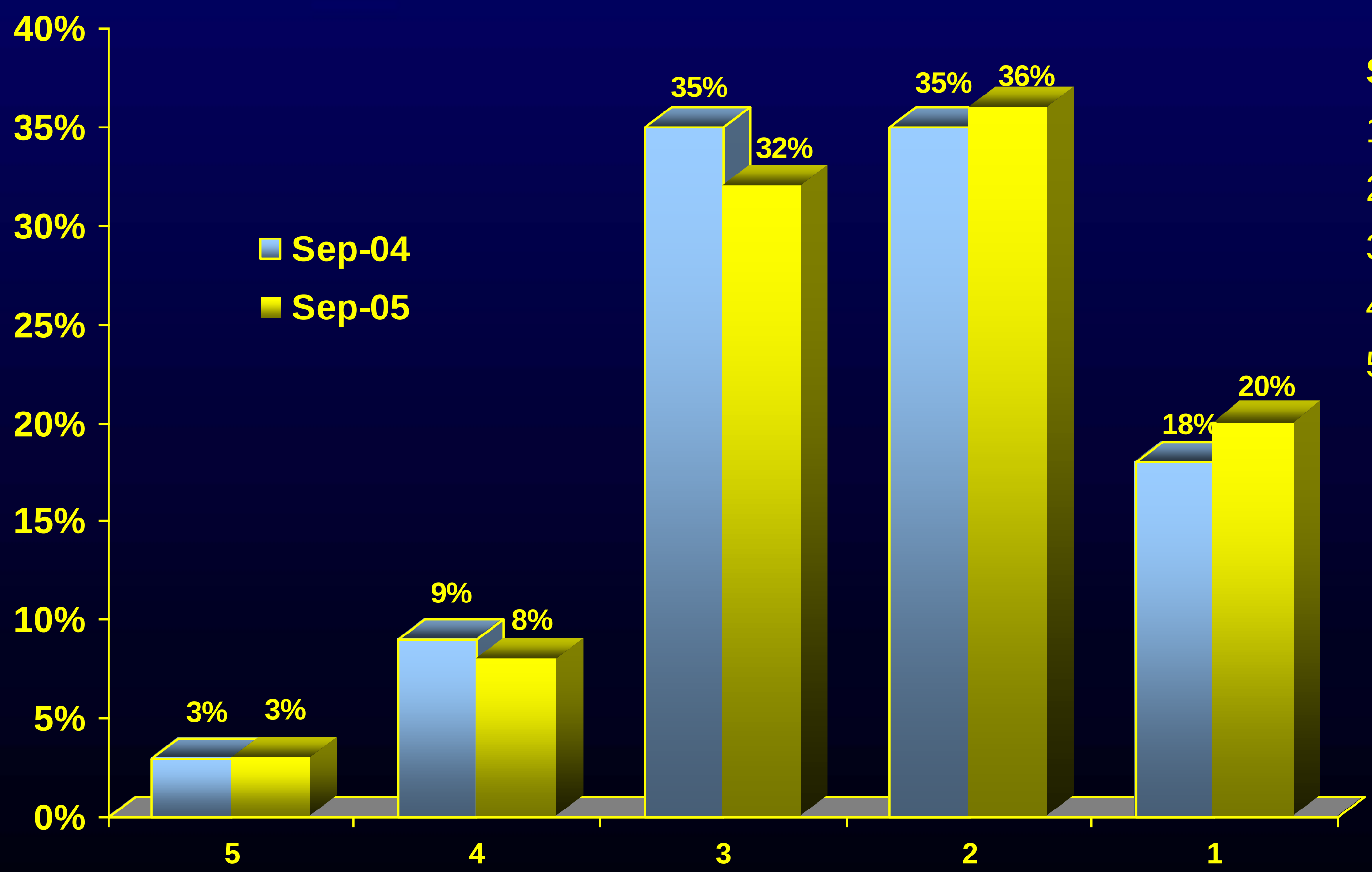


Key objectives for a successful pubco

- Top quality assets
- Profitable licensees

Top quality assets

Continued improvement in estate quality



Score definitions

1 Excellent

2 Good

3 Good average

4 Below average

5 Disposal

Property survey 96% complete, average disrepair £7k per pub

Source: Estates Review – September 2005

Licensee profitability

Licensees dealing with rising costs

	2005* £k
Turnover	265
Gross Margin	143
Overheads	(77)
Pre rent profit	66
Domestic accommodation	8
Rent	(32)
Post rent licensee profit	42

	2005	"2006 inflation" Amount	"2006 inflation" Increase	Estimate
	£k	£k	%	£k
Wages	(38.4)	(2.3)	6%	(40.7)
Rates	(9.7)	(0.8)	8%	(10.5)
Energy costs	(5.8)	(2.9)	50%	(8.7)
Other	(23.3)	(0.7)	3%	(24.0)
	(77.2)	(6.7)	8%	(83.9)
"normal" Inflation		(2.3)	3%	
2006 exceptional cost increase		(4.4)	5%	
		(6.7)	8%	

Licensees managing exceptional cost increase of £4.4k-

- Additional selling price increase – 1.6% x £265k
- Cost of sales and overhead efficiencies – (2.2)% x £(199)k

*** Source: Estates Review – September 2005**

Licensee profitability

How are they really doing?

- 91% of pubs let on substantive agreements
- 423 lease assignments, average premium £68k
- Bad debts reduced to 0.1% of turnover
  - Overdues down to £4.1m
- Rent concessions consistent at less than 0.5% of rent roll
- 463 rent reviews, average 2.2% annual increase
- 1,120 fully funded, fully screened quality applicants
- 2,967 enquiries converted to 826 formal applications

Current issues

- Smoking
- Real estate investment trust

Smoking

Enterprise well placed to manage change

- Total ban in Scotland - 139 pubs - March 2006
- Total ban in Wales - 391 pubs - Dec 2006?
- Total ban in England - 8,049 pubs - June 2007?
- Scottish pubs performance since the ban is marginally behind the remainder of the estate
- Pubs with food offering and outside areas will cope best with the ban

	% of estate
Beer garden & patio	33%
Beer garden only	18%
Patio only	29%
Neither	20%
Total	100%

	% of estate
Restaurant	18%
Traditional bar meals	39%
Light snacks	25%
No catering	18%
Total	100%

Real estate investment trust

Considerations for Enterprise Inns

- Potential opportunities
  - Tax savings
  - Growth in shareholder value
- Issues
  - 75% of taxable income must be derived from rental income
  - 90% of profits paid out by dividend
  - Reduced ability for share buy backs
  - Reduced flexibility for capital investments and acquisitions
  - Reduced ability to repay debt
  - Up to £600m break costs if re-financing required
- Conclusion
  - Significant barriers, but worth further investigation

Growth in a tenanted estate

Manage the pubs, the cash flow and the balance sheet

Core growth in operating profit
(target 3% growth)

↓

Invest and churn
(target 10-15% return)

↓

Evaluate all acquisition opportunities

↓

Manage balance sheet leverage
in line with profit growth and estate valuation

↓

Return spare cash to shareholders

↓

Double digit growth in EPS

Growth in a tenanted estate

EPS growth (H1 2005 to H1 2006)

	%
Normal EPS growth (Organic, capex, churn and debt reduction)	12
Cost Savings (Overheads, interest and tax rate)	3
Share buybacks (net of interest)	2
Adjusted EPS growth	17

Summary

- 17% growth in adjusted earnings per share
- Strong cash generation
- 61% increase in dividend
- Cash available to buy back shares
- Improving pub quality and profitability
- Clear strategy for growth in shareholder value
- Continued progress in challenging conditions

Questions

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