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Interim results

31 March 2012

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Robert Walker

Chairman

Overview

6 months to 31 March 2012

- EBITDA pre-exceptional items £168m (H1 2011 - £179m)
- Substantive like-for-like income up 1.5% (H1 2011 - down 1.5%)
- Total like-for-like income down 1.6% (H1 2011 - down 5.0%)
- £89m proceeds from disposals - total debt reduced to £2.9bn (H1 2011 - £3.1bn)
- Ability to minimise risk of a potential cash trap in Unique
- Purchase and cancellation of £41m (nominal) A class fixed rate bonds at average discount of 24%

Neil Smith

Chief Financial Officer

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Profit & loss

EBITDA (pre-exceptional) reduced by 6% largely due to disposals and leasehold rent

	6 months to 31 March 2012			6 months to 31 March 2011			Year to 30 Sept 2011
£m	Pre excep	Excep	Total	Pre excep	Excep	Total	Total
EBITDA	168	(1)	167	179	-	179	364
Depreciation	(7)	-	(7)	(7)	-	(7)	(14)
Operating profit	161	(1)	160	172	-	172	350
Property	-	-	-	-	(4)	(4)	(150)
Goodwill	-	(6)	(6)	-	(9)	(9)	(15)
Interest	(97)	-	(97)	(98)	-	(98)	(199)
Gain on purchase of own debt	-	7	7	-	-	-	-
Profit before Tax	64	-	64	74	(13)	61	(14)
Taxation	(16)	5	(11)	(20)	30	10	38
Profit after Tax	48	5	53	54	17	71	24
Adjusted EPS (p)	9.6			10.8			23.4
Weighted average no. of shares (m)	499.5			499.0			499.0

Profit & loss - exceptional items

Exceptional items largely relate to property

£m		6 months to 31 March 2012	6 months to 31 March 2011	Year to 30 Sept 2011
Reorganisation and regulatory		(1)	-	(2)
Property related:				
Profit on sale of pubs		10	28	41
Movement in valuation of pub estate:	pubs retained in fixed assets	-	-	(117)
	operating lease premiums	-	-	(1)
	pubs pending sale	(8)	(20)	(18)
	pubs sold	(2)	(12)	(55)
Total property related		-	(4)	(150)
Goodwill allocated to disposals		(6)	(9)	(15)
SWAPs		-	-	(4)
Profit on purchase of own debt		7	-	-
Tax relating to exceptional items		5	30	78
Total exceptional items		5	17	(93)

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EBITDA (pre-exceptional)

Average income per pub up 3.2%

£m	6 months to 31 March 2012	6 months to 31 March 2011	Year to 30 Sept 2011
Revenue	342	346	711
Cost of sales	(142)	(139)	(290)
Net income	**200**	**207**	**421**
Property costs: Leasehold rent	(11)	(7)	(17)
R&M	(3)	(3)	(5)
Gross profit	186	197	399
Administrative expenses	(18)	(18)	(33)
EBITDA	**168**	**179**	**366**
Average no. of pubs	6,216	6,659	6,555
Net income per pub	32.2	31.2	64.2

Net income analysis

Protecting publican turnover and profitability through contractual discounts

£m	Beer, cider & fabs	Contractual discounts	Net beer, cider & fabs	Rental income	Discretionary concessions	Wines, spirits & minerals	Machines & other	Total
H1 2012								
Turnover	263	(36)	227	96	(3)	16	6	342
Cost of sales	(130)	-	(130)	-	-	(12)	-	(142)
Net income	133	(36)	97	96	(3)	4	6	200
								58.5%
Avg income per pub (£k)			15.6	15.4				32.2
H1 2011								
Turnover	261	(31)	230	103	(8)	15	6	346
Cost of sales	(127)	-	(127)	-	-	(12)	-	(139)
Net income	134	(31)	103	103	(8)	3	6	207
								59.8%
Avg income per pub (£k)			15.5	15.5				31.2

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Analysis of gross profit

94% of like-for-like income from pubs let on substantive agreements

	No. of pubs at 31 Mar 2012	FY12 £m	Change £m	FY11 £m	Change %
All substantives	5,437	189	3	186	1.5%
Non-substantives	706	12	(6)	18	(33.7)%
Like-for-like income	**6,143**	**201**	**(3)**	**204**	**(1.6)%**
Disposals & commercial lets		2	(4)	6	
Unallocated costs		(3)	-	(3)	
Net income		**200**	**(7)**	**207**	
Property costs		(14)	(4)	(10)	
Gross profit		**186**	**(11)**	**197**	

Analysis of like-for-like income - occupation

Strong performance from established publicans

Years in occupation	No. of pubs at 31 March 2012	Income FY12 £m	% of income	Income FY11 £m	FY12 income change %
Over 5 years	2,370	91	45	92	(1.1)
1-5 years	1,967	68	34	64	6.3
Total over 1 year	4,337	159	79	156	1.9
< 1 year	1,100	30	15	30	-
Total substantives	5,437	189	94	186	1.5
Non-substantives	706	12	6	18	(33.7)
Total	**6,143**	**201**	**100**	**204**	**(1.6)**

Substantive like-for-like income - geography

Growth in South & Midlands with the North stabilising

Location	No. of pubs at 31 March 2012	Income FY12 £m	% of income	Income FY11 £m	FY12 income change %
North	1,519	51	25	51	-
Midlands	1,695	56	28	55	1.8
South	2,223	82	41	80	2.5
Total substantives	5,437	189	94	186	1.5
Non-substantives	706	12	6	18	(33.7)
Total	**6,143**	**201**	**100**	**204**	**(1.6)**

Note: Operational restructure and boundary changes during the year have realigned sector geography

Cash flow statement

Strong cash generation despite one off working capital outflow of £17m

£m	6 months to 31 March 2012	6 months to 31 March 2011	Year to 30 Sept 2011
Operating profit	160	172	350
Depreciation & amortisation	7	7	14
Movement in working capital	(23)	(6)	(11)
Operating cash inflow	144	173	353
Interest	(94)	(96)	(191)
Tax	(13)	(11)	(27)
Free cash flow pre-investment	37	66	135
Capital expenditure	(39)	(30)	(72)
Disposals	89	138	238
Cash generation	87	174	301
Non-cash items	6	1	1
Movement in Group net debt	93	175	302

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Disposals

£89m of cash generated from disposals at £10m profit on book value

	6 months to 31 March		Year to 30 Sept
	2012	2011	2011
Non-viable pubs:			
No. of pubs	78	212	466
Net cash proceeds (£m)	16	47	106
Profit on disposal	-	9	11
Exceptional properties:			
No. of pubs	36	-	-
Net cash proceeds (£m)	49	-	-
Profit on disposal	9	-	-
Sale and leaseback:			
No. of pubs	17	71	105
Net cash proceeds (£m)	24	91	132
Profit on disposal	1	19	30

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Balance sheet

Debt reduction continuing

£m	As at 31 March 2012	As at 31 March 2011	As at 30 Sept 2011
Goodwill & investments	371	383	377
Pubs & other assets	4,546	4,881	4,611
Net debt	(2,910)	(3,130)	(3,003)
Net other liabilities	(142)	(152)	(162)
Deferred tax	(408)	(505)	(426)
Net assets	1,457	1,477	1,397

Debt structure

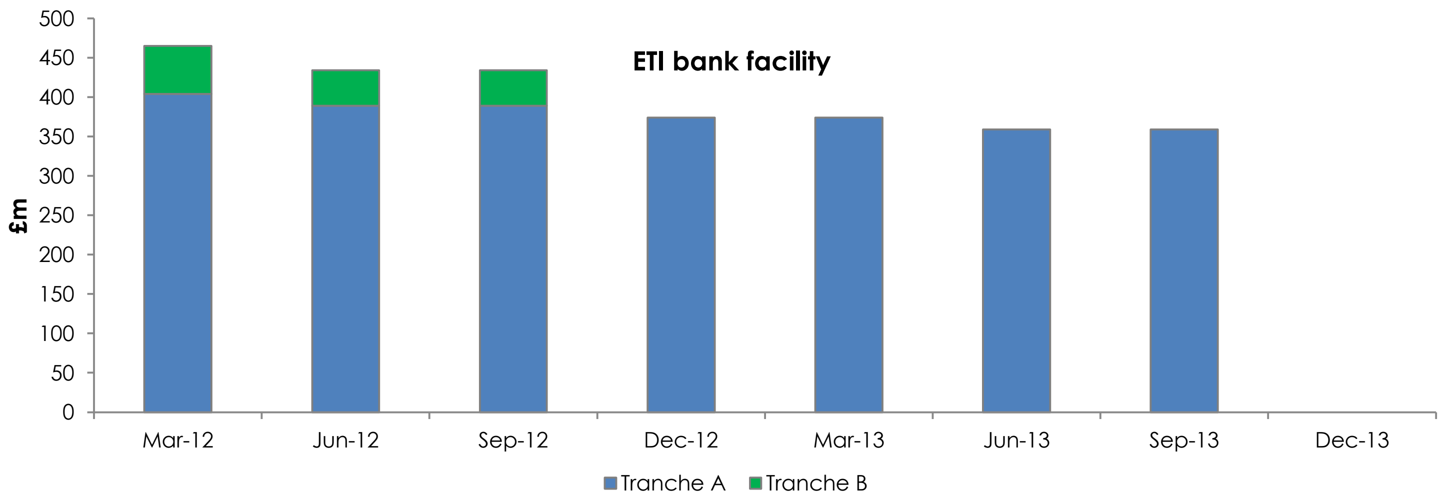
Group net debt reduced by £93m during H1 2012

£m	As at 31 March 2012	As at 31 March 2011	As at 30 Sept 2011
ETI bank debt	(424)	(545)	(464)
ETI cash	27	7	18
ETI net bank debt	(397)	(538)	(446)
Corporate bonds	(1,185)	(1,185)	(1,185)
Total ETI debt	(1,582)	(1,723)	(1,631)
Unique securitised bonds	(1,386)	(1,466)	(1,436)
Unique cash	88	94	96
Total Unique debt	(1,298)	(1,372)	(1,340)
Underlying Group net debt	(2,880)	(3,095)	(2,971)
Fair value and other adjustments	(30)	(35)	(32)
Group net debt	**(2,910)**	**(3,130)**	**(3,003)**

Bank covenants and amortisation

Covenants manageable and £135m Tranche B already cancelled

	Covenant	As at 31 March 2012	As at 30 Sept 2011
Net debt:EBITDA	**6.50x**	5.86x	5.92x
Interest cover	**2.00x**	2.63x	2.66x
First charge asset cover	**1.00x**	1.74x	1.76x
Total property assets cover	**1.50x**	3.10x	2.86x



Corporate bonds

Asset-backed funding

- £1,185m non-amortising bonds, secured by ring-fenced portfolio of £1.9bn freehold pubs
- £60m bond due February 2014 - to be repaid from cash flow
- Major refinancing of £600m due December 2018
- £600m bond secured on a portfolio of pubs valued at £1bn

Unique securitisation

Secured bonds, ring-fenced in subsidiary

- Leveraged structure with interest rates payable in range from 5.7% (A4s) to 7.4% (Ms)
- Smooth amortisation of fixed rate bonds commencing with £12m (A4s) in Sept 2013 through to 2032 (Ns)
- £29m of floating rate notes (A2Ns) outstanding; £63m prepaid ahead of schedule; expect to fully prepay in 2012

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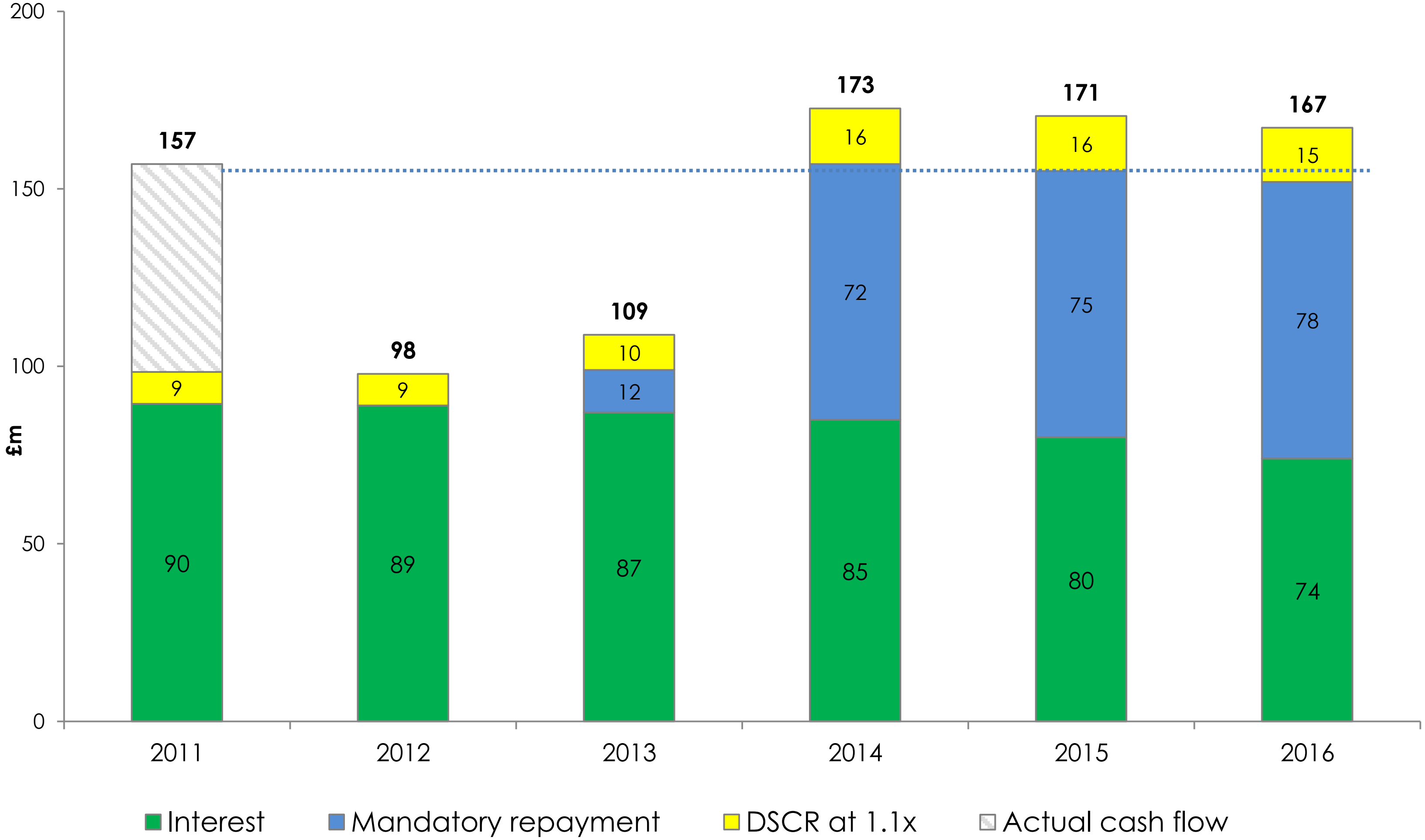
Unique securitisation - a reminder

Debt service cover ratio (DSCR) - the previously perceived covenant risk



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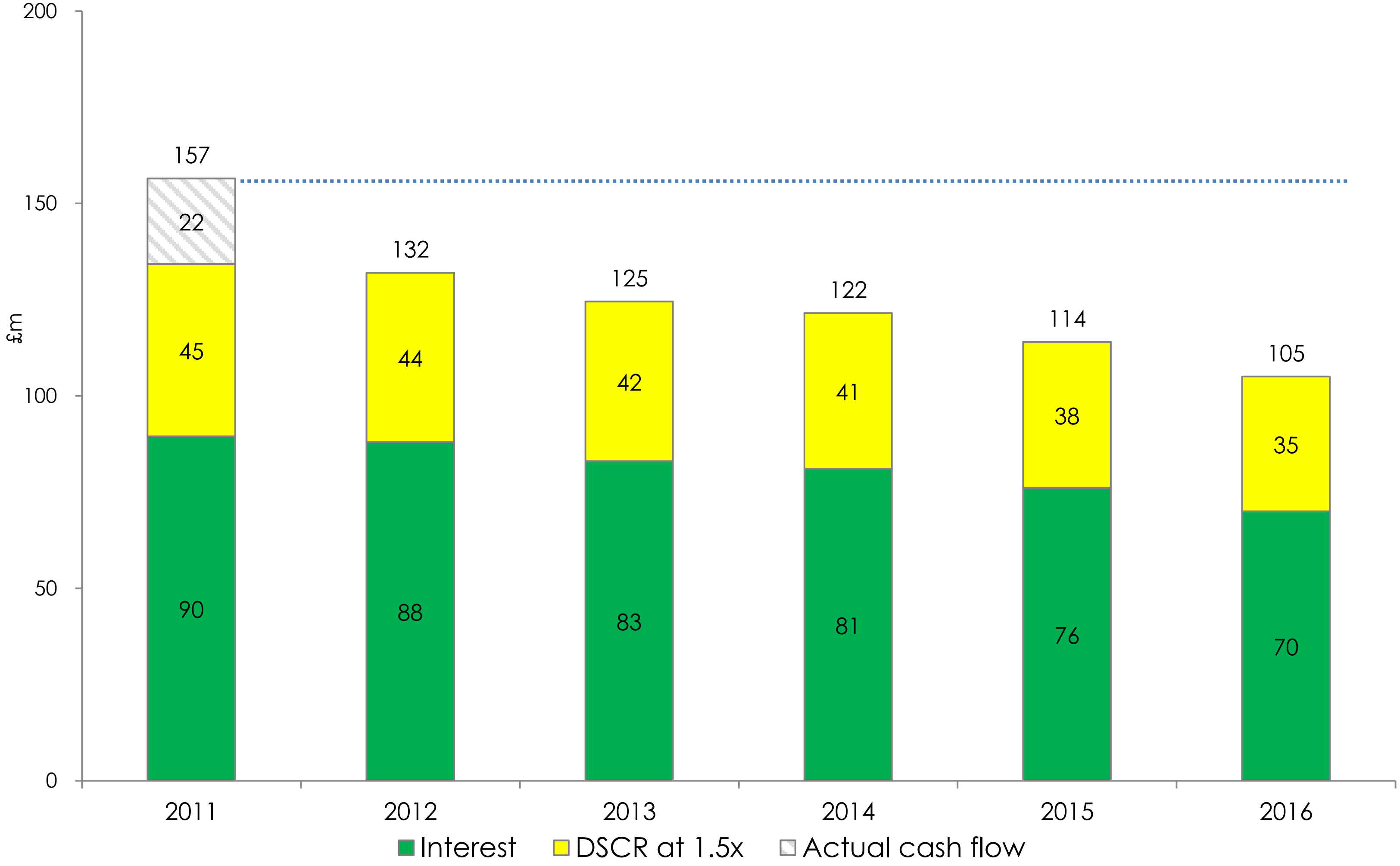
Unique securitisation

The chosen option to manage covenant and cash trap risk

- DSCR is ratio of debt service to cashflow with debt service being principal and interest; principal defined by a comparison of:
  a) The amount of debt outstanding at the start of a period and
  b) The amount of debt scheduled to be outstanding at the start of the following period
- Floating rate A2Ns have been prepaid to stay a year ahead of schedule and ensure there is no debt service in respect of principal in DSCR
- Fixed rate notes (A4s and A3s) purchased and cancelled to continue to stay a year ahead of schedule and ensure principal element of debt service in DSCR remains zero

Unique securitisation

Debt service cover ratio - staying one year ahead of schedule - illustrative



Unique securitisation

Progress on purchase of A3s and A4s

- In order to stay a year ahead of schedule, we need to purchase £12m of bonds by Sept 2012 and a total of £74m by Sept 2013
- Currently ahead of schedule having purchased £41m of the required £74m;
  - £39m A4s at an average discount of 24%
  - £2m A3s at an average discount of 17%
- Plan to purchase the remaining £33m between now and Sept 2013 from available cash
- No material additional purchases once the £74m acquired
- Actual amortisation profile for existing bondholders is unaffected

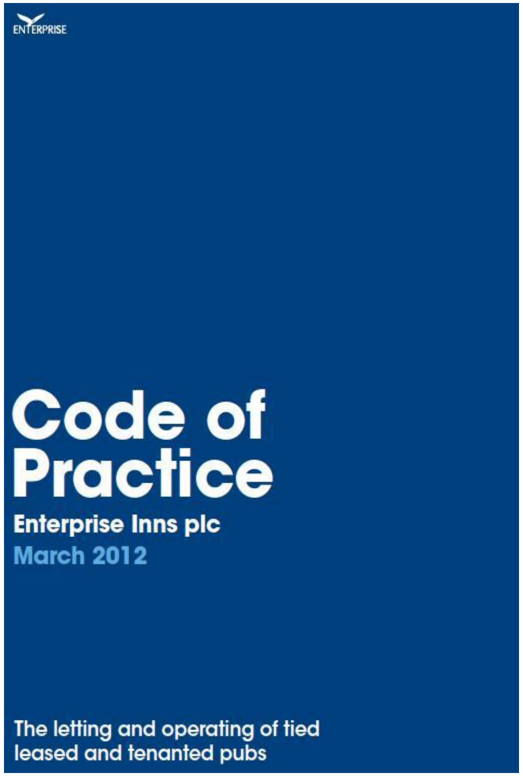
Simon Townsend

Chief Operating Officer

Trading summary

Objective to deliver like-for-like growth for whole estate

- Steady improvement in operating performance
- Like-for-like income growth in substantive agreements
- Progressive roll-out of Beacon-style intervention
- Exploring property options where appropriate
- Government commitment to industry self-regulation
- Sustaining publican profitability



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Operating performance

Steady progress on all fronts

- Average net income per pub up 3.2% (H1 2011 - flat)
- Total discretionary support reduced to £3m (H1 2011 - £8m)
- Rate of business failures reduced
- 321 cyclical rent reviews completed at an average annual reduction of 1.3% (H1 2011 - 380 reduction of 1.6%)
- 66% of substantive agreements linked to RPI (H1 2011 - 61%)

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Operating performance

Stable foundations for like-for-like growth

- 89% of estate let on substantive agreements (H1 2011 - 87%)
  - Income up 1.5% to £189m, 94% of total income (H1 2011 - down 1.5%)
  - New lettings onto substantive agreements 323 (H1 2011 - 173)
  - Average length of publican occupation consistently over 5 years
- 1,400 enquiries (H1 2011 - 1,452)
- Closed pubs to be reopened 99 (H1 2011 - 127)
- Overdue balances reduced by 20% to £4.5m (H1 2011 - £5.6m)
- Bad debts reduced by 6% to £0.7m (H1 2011 - £0.7m)

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Non-substantive estate

Keeping our options open

- 706 non-substantive agreements (H1 2011 - 853)
- Performance impacted by business failure or surrender
- Current profile includes -
  - 298 special situations:
    - Beacon (89) and pipeline (66) - 155
    - Commercial letting opportunities - 29
    - Property options - 92
    - "Holding over" - 22
  - 408 non-substantives
    - 212 in negotiation for letting in H2
    - 196 available to let

Project Beacon

Serving its purpose

- Our "managed tenancy"
  - Pre-determined retail offer and management control
- Value-led trading style
  - 36 existing substantives
  - 89 tenancy-at-will
  - 17 new substantive conversions
- Average income per pub £35k (estate average of £64k)
- 30% uplift in net income (compared to 3 months prior to conversion)
- Pipeline of sites anticipated to deliver 250+ in FY12

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Operational restructure

Investing to drive publican sales and profitability

- Positive intervention to drive sales and reduce costs
- Geographic alignment of resources and management
- Increased frequency and depth of business review
- Additional focus on retail standards and controls
- Commercial team enhanced to develop concepts, support and service packages
- A new approach to the management of property condition

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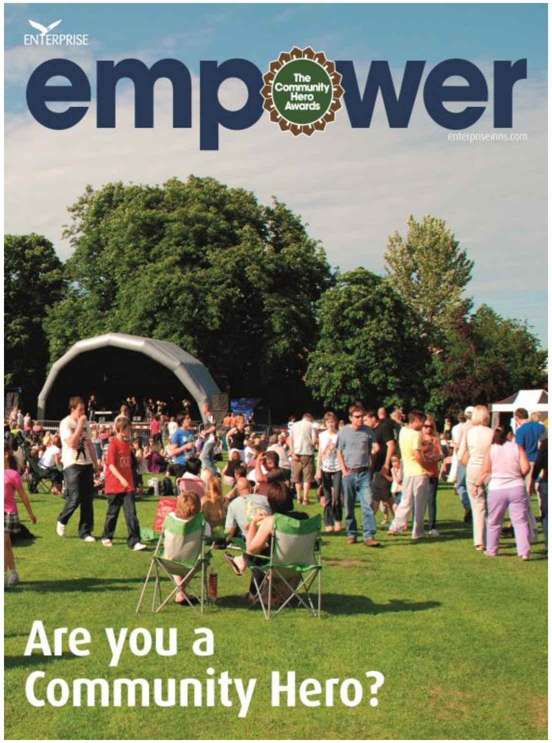
Communications

empowernews

empowerdeals

empowerupdate



The Community Hero Awards
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Ted Tuppen

Chief Executive

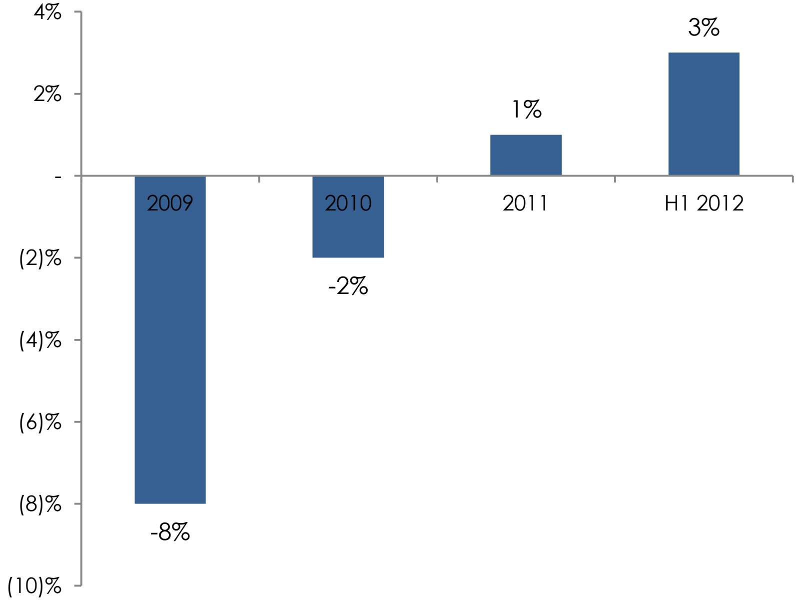
Key issues

- Trading
- Debt
- Property

Trading performance

The journey back to EBITDA growth

Movement in average net income per pub (%)



Like-for-like income - geography

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- Average income per pub up 3%
- 94% of longer term agreements growing income

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Debt

Managing the risks, maximising the opportunities

- Unique securitisation
  - 20 year financing, attractive interest rates, manageable amortisation
  - Minimised risk of potential future cash trap
- Bank borrowings
  - Strong cash generation; £200m ahead of amortisation profile
  - Discussions with bank group to extend maturity beyond December 2013
- Corporate bonds
  - 2014 £60m bond repayable from cash flow
  - 2018 £600m secured by £1bn of freehold assets, 2x interest cover

Property

Maximise value from our freehold property portfolio

- Valuations appear to be stable
  - Trading pubs largely in growth
  - High value opportunities
  - Tail end risks
- A pub and property plan for every asset
  - Targeted investment to deliver income growth
  - Appropriate use to maximise income and value
  - Strategic disposals to drive non-dilutive de-gearing

Outlook

- Weathered the storm
- Performance is improving
- Business remains strong
- Confidence in our future prospects

QUESTIONS

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