ENTERPRISE

Preliminary results

30 September 2011

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Overview

- Financial performance resilient
- Capital structure manageable
- Operational metrics improving
- Future developments

Neil Smith

Chief Financial Officer

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Financial performance

12 months to 30 September 2011

- EBITDA pre exceptional items £366m (2010 - £405m)
- Average net income per pub up 1% in the year
- 90% of estate trading on substantive agreements (2010 - 89%)
- Substantive like-for-like income down 1.7% (2010 - down 2.3%)
- Profit before tax & exceptional items £157m (2010 - £175m)
- Annual revaluation of estate reduces value by £173m(4%) (2010 - £103m(2%))
- Adjusted EPS 23.4p (2010 - 25.9p)
- £238m proceeds from disposals
- Net debt reduced by £302m

Profit & loss

EBITDA reduction of 9.6% partially offset by interest cost savings

£m	Year ending 30 Sept 2011 Pre excep	Year ending 30 Sept 2011 Excep	Year ending 30 Sept 2011 Total	Year ending 30 Sept 2010 Pre excep	Year ending 30 Sept 2010 Excep	Year ending 30 Sept 2010 Total
EBITDA	366	(2)	364	405	(5)	400
Depreciation	(14)	-	(14)	(13)	-	(13)
Operating profit	352	(2)	350	392	(5)	387
Property	-	(165)	(165)	-	(190)	(190)
Interest	(195)	(4)	(199)	(217)	(11)	(228)
Profit before Tax	157	(171)	(14)	175	(206)	(31)
Taxation	(40)	78	38	(46)	103	57
Profit after Tax	117	(93)	24	129	(103)	26
Adjusted EPS (p)	23.4			25.9		
Weighted average no. of shares (m)	499.0			498.6		

Profit & loss - exceptional items

Exceptional items relate to property and taxation

£m		12 months to 30 September 2011	12 months to 30 September 2010
Trading related:			
Net cost of temporary management agreement's		-	(2)
Reorganisation and regulatory		(2)	(3)
Total trading related		(2)	(5)
Property related:			
Profit on sale of pubs		41	52
Goodwill allocated		(15)	(17)
Movement in valuation of pub estate:	pubs retained in fixed assets	(117)	(141)
	operating lease premiums	(1)	(1)
	pubs pending sale at year end	(18)	(31)
	pubs sold in year	(55)	(52)
Total property related		(165)	(190)
Interest & tax:			
SWAPs		(4)	(11)
Tax relating to exceptional items		78	103
Total interest & tax		74	92
Total exceptional items		(93)	(103)

EBITDA (pre exceptional)

EBITDA impacted by reduced size of estate and sale and leaseback

	12 months to 30 September	
£m	2011	2010
Revenue	711	753
Cost of sales	(290)	(299)
Net income	**421**	**454**
Property costs: Leasehold rent	(17)	(7)
R&M	(5)	(5)
Gross profit	399	442
Administrative expenses	(33)	(37)
EBITDA	**366**	**405**
Average no. of pubs	6,555	7,138
Net income per pub	64.2	63.6

Net income analysis

Margins impacted by increased discounts

£m	Beer, cider & fabs	Contractual discounts	Net beer, cider & fabs	Rental income	Discretionary concessions	Wines, spirits & minerals	Machines & other	Total
2011								
Turnover	545	(66)	479	203	(15)	31	13	711
Cost of sales	(267)	-	(267)	-	-	(23)	-	(290)
Net income	278	(66)	212	203	(15)	8	13	421
								59.2%
Avg income per pub (£k)			32.3	31.0				64.2
2010								
Turnover	561	(58)	503	217	(15)	34	14	753
Cost of sales	(274)	-	(274)	-	-	(25)	-	(299)
Net income	287	(58)	229	217	(15)	9	14	454
								60.3%
Avg income per pub (£k)			32.1	30.4				63.6

- Over 80% of pubs now receive a contractual or discretionary wet discount

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Analysis of gross profit

95% of like-for-like income from pubs let on substantive agreements

	No. of pubs at 30 Sept 2011	FY11 £m	Change £m	FY10 £m	Change %
All substantives	5,689	401	(7)	408	(2)%
Non substantives	600	20	(12)	32	(38)%
Like-for-like income	**6,289**	**421**	**(19)**	**440**	**(4)%**
Non licensed estate		2	-	2	
Permanently closed pending disposal		-	(1)	1	
2010 and 2011 disposals		5	(13)	18	
Unallocated costs		(7)	-	(7)	
Net income		**421**	**(33)**	**454**	
Property costs		(22)	(10)	(12)	
Gross profit		**399**	**(43)**	**442**	

Analysis of like-for-like income - occupation

Strong performance from established publicans

Years in occupation	No. of pubs at 30 Sept 2011	Income FY11 £m	% of income	Income FY10 £m	FY11 income change %
Over 5 years	2,443	192	46	194	(1)
1-5 years	2,270	157	37	152	3
Total over 1 year	4,713	349	83	346	1
< 1 year	976	52	12	62	(16)
Total substantives	5,689	401	95	408	(2)
Non substantives	600	20	5	32	(38)
Total	**6,289**	**421**	**100**	**440**	**(4)**

- 1% like for like growth in established estate representing 83% of income

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Substantive like-for-like income - geography

South remains resilient but north continues to be challenged

Location	No. of pubs at 30 Sept 2011	Income FY11 £m	% of income	Income FY10 £m	FY11 income change %
North	1,737	118	28	124	(5)
Midlands	1,520	102	24	103	(1)
South	2,432	181	43	181	-
Total substantives	5,689	401	95	408	(2)
Non substantives	600	20	5	32	(38)
Total	**6,289**	**421**	**100**	**440**	**(4)**

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Cash flow statement

Strong cash generation of £301m

£m	12 months to 30 September 2011	12 months to 30 September 2010
Operating profit	350	387
Operating cash inflow	353	410
Interest	(191)	(219)
Tax	(27)	(43)
Free cash flow pre investment	135	148
Capital expenditure	(72)	(55)
Disposals	238	270
Cash generation	301	363
Non cash items	1	11
Movement in Group net debt	302	374

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Disposals

£238m of cash generated from disposals

	12 months to 30 September 2011	12 months to 30 September 2010	2010 & 2011 Total
Non viable pubs:			
No of pubs	466	579	1,045
Net cash proceeds (£m)	106	158	264
Sale and leaseback:			
No of pubs	105	71	176
Net cash proceeds (£m)	132	112	244
Yield	6.6%	6.4%	6.5%

Balance sheet

Debt reduction continuing

£m	As at 30 September 2011	2010
Goodwill & investments	377	392
Pubs & other assets	4,611	5,015
Net debt	(3,003)	(3,305)
Net other liabilities	(162)	(158)
Deferred tax	(426)	(537)
Net assets	1,397	1,407

Pub estate valuation

99% of pubs (by value) are freehold or quasi freehold

As at 30 September 2011	Total value £m	Average value per pub £k
Pubs	4,550	757
Operating leases	12	49
Pubs held for sale	27	248
Total pubs	4,589	721
Other assets*	22	-
Total pubs and other assets	4,611	-

* Other assets includes non licensed estate, head office, flow metering and office equipment

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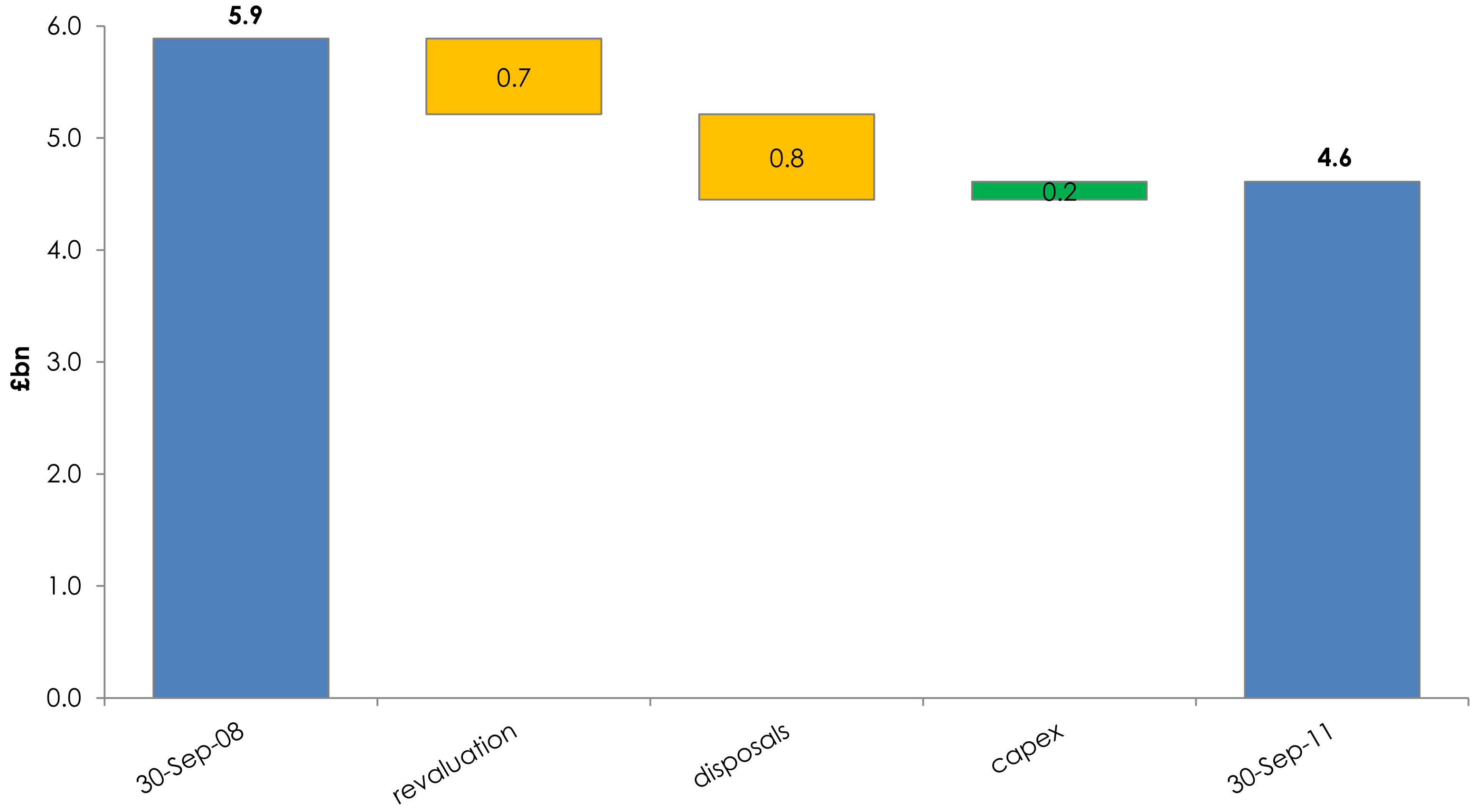
Annual estate revaluation

Reflecting current property market and availability of funding for buyers

£m	2011	2010
Estate value - pre revaluation	4,723	5,051
Revaluation:		
Recognised through the income statement	(117)	(141)
Recognised in reserves	(56)	38
Total revaluation reduction	(173)	(103)
Estate value - post revaluation	4,550	4,948
Revaluation reduction	(4)%	(2)%

Estate value over last three years

We have a high quality estate appropriately valued



Debt structure

Group net debt reduced by £302m during 2011

	As at 30 September	
£m	2011	2010
ETI bank debt	(464)	(686)
ETI cash	18	8
ETI net bank debt	(446)	(678)
Corporate bonds	(1,185)	(1,185)
Total ETI debt	(1,631)	(1,863)
Unique securitised bonds	(1,436)	(1,501)
Unique cash	96	100
Total Unique debt	(1,340)	(1,401)
Underlying Group net debt	(2,971)	(3,264)
Fair value and other adjustments	(32)	(41)
Group net debt	**(3,003)**	**(3,305)**

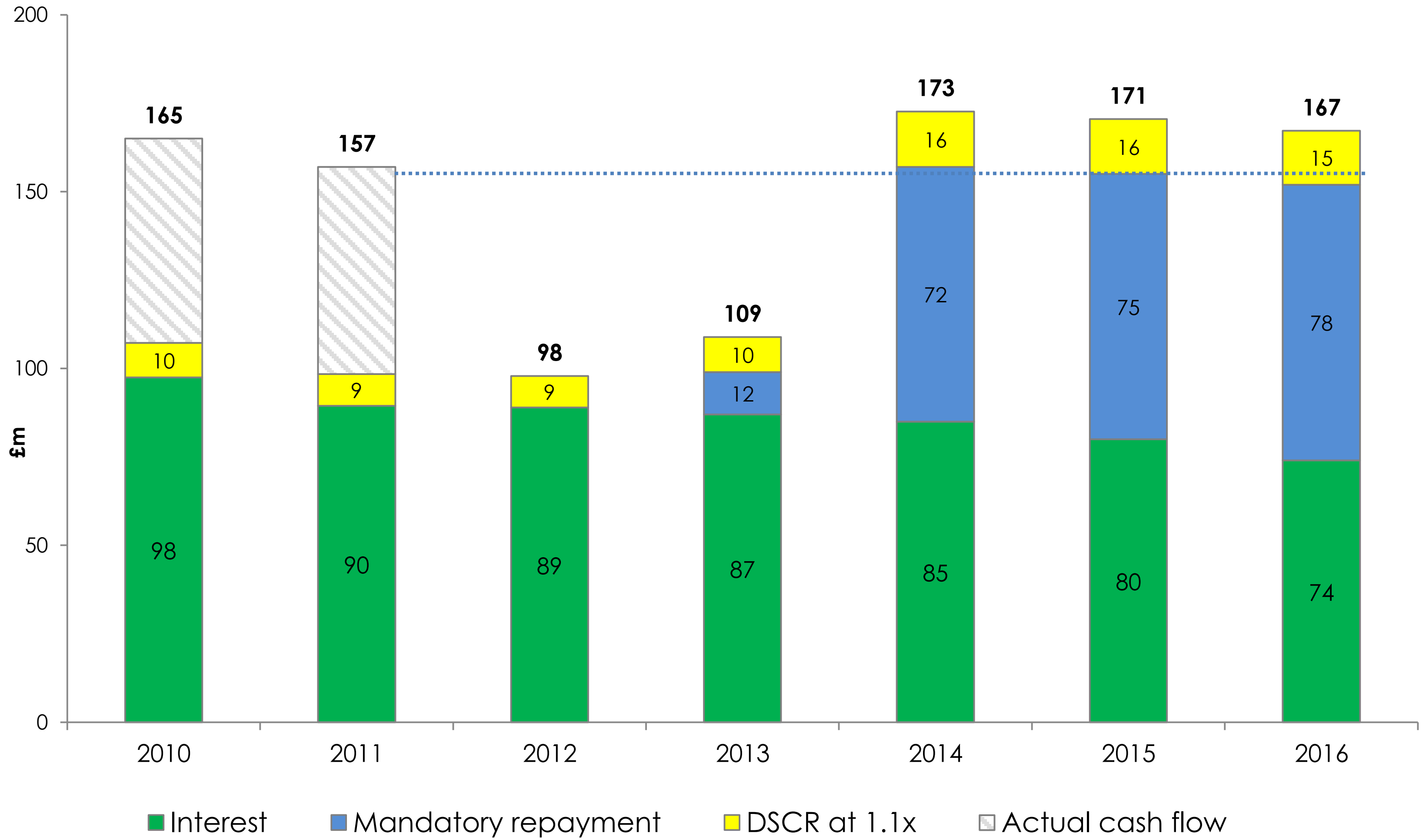
Unique securitisation

Secured bonds, ring-fenced in subsidiary

- Leveraged structure at below market interest rates
- Smooth amortisation profile until maturity in 2032
- £74m prepayment of floating rate notes (£51m outstanding)
  - Fixed rate notes:
  - £1,385m at an average 6.3%
- Amortisation of fixed rate notes commences September 2013

Unique securitisation

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



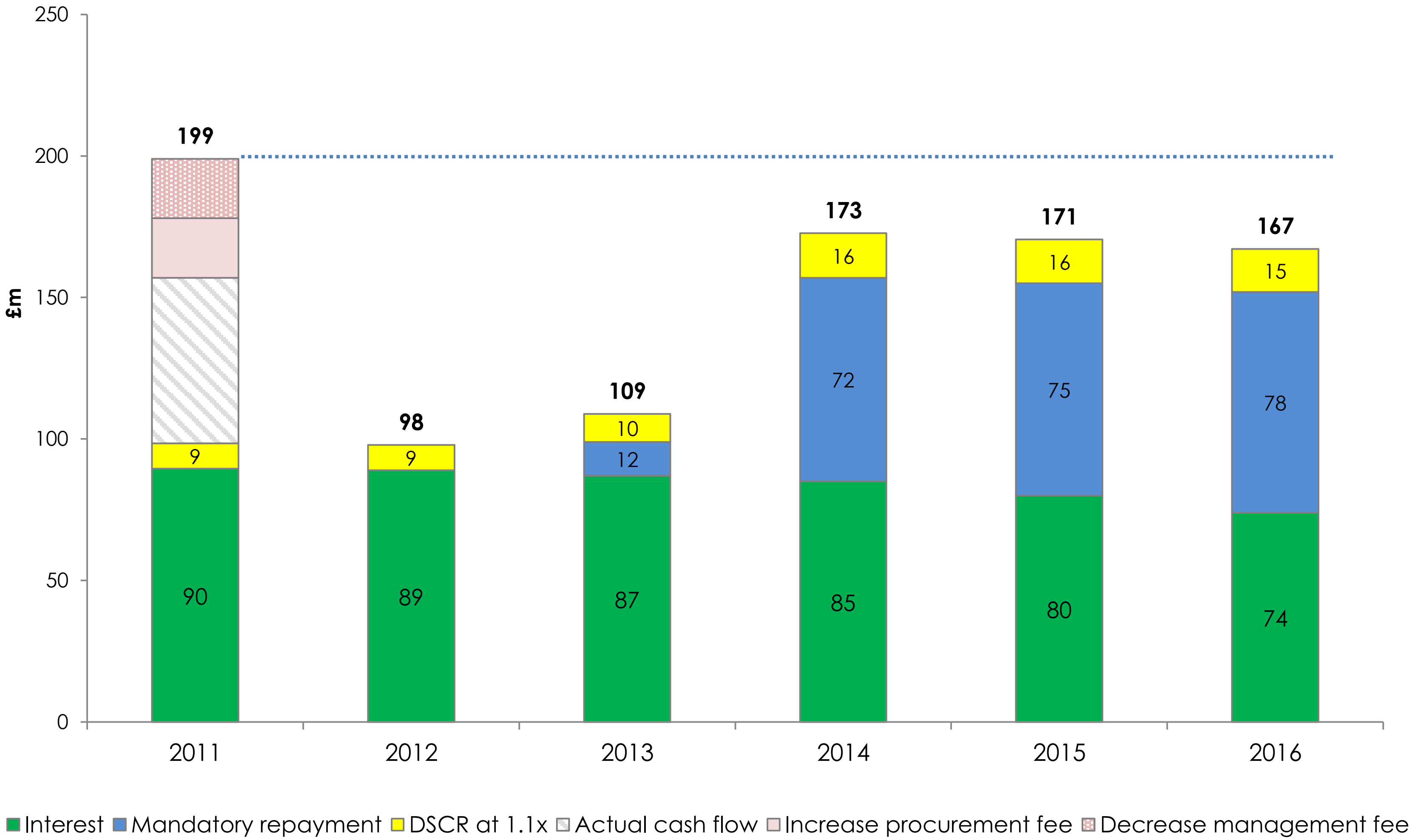
Unique securitisation

Debt service cover ratio - the options available

- We have a number of options available to manage a potential shortfall in DSCR in 2014
  - Stabilise then grow the level of income
  - Increase in the procurement fee payable by ETI (at ETI discretion) - currently £21m
  - Decrease in the management fee payable by Unique (at ETI discretion) - currently £21m
  - Assess viability of remaining one year ahead of fixed rate note repayment schedule
  - Purchase of pubs by Unique (from available cash)

Unique securitisation

Debt service cover ratio - utilising procurement fee and management fee only



Corporate bonds

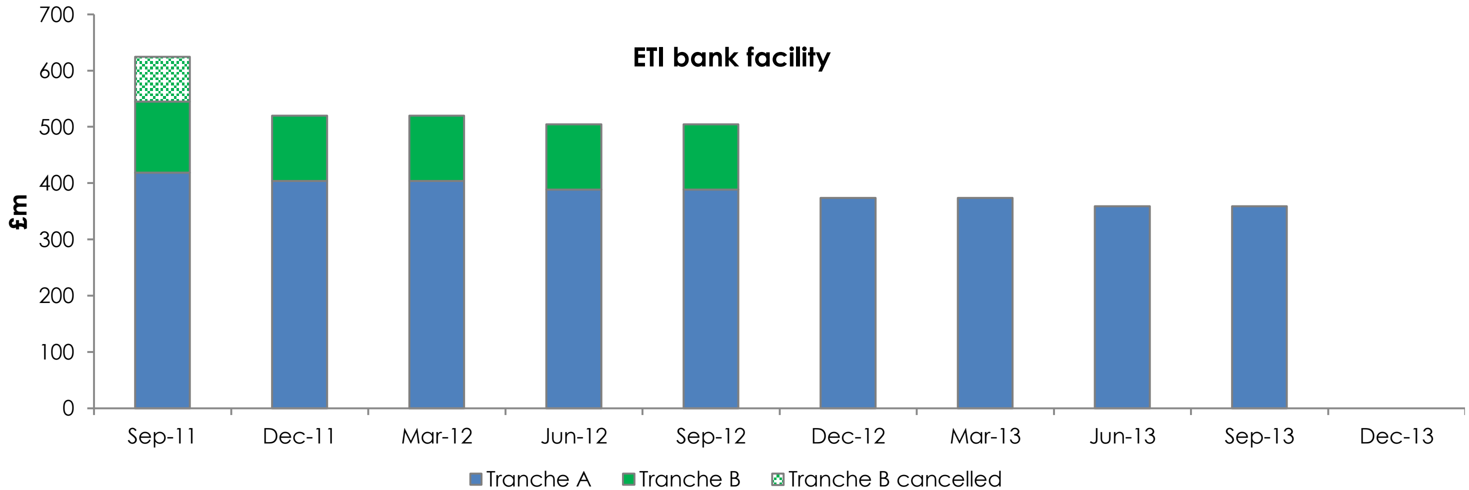
No material repayments until 2018

- £1,185m at 6.5% weighted average interest rate
- Non-amortising
- Secured by ring-fenced portfolio of £1.9bn freehold pubs
- Annual injection or withdrawal of pubs to maintain income and valuation requirements (addition of £40m in 2011, £24m in 2010)
- £60m bond due 2014
- First major refinancing of £600m in 2018
- £600m bond secured on a portfolio of pubs valued at £1bn

Bank covenants and amortisation

Comfortable headroom

		As at 30 September	
	Covenant	2011	2010
Net debt:EBITDA	**6.50x**	5.92x	6.16x
Interest cover	**2.00x**	2.66x	2.49x
First charge asset cover	**1.00x**	1.76x	1.56x
Total property assets cover	**1.50x**	2.86x	2.24x



Simon Townsend

Chief Operating Officer

Trading summary

Market remains tough, but estate well-positioned

- Operating performance indicates continuing stability
- Average net income per pub positive
- Like-for-like income stable across substantives >1 year
- Clear benefits from three year disposal programme
- Revised Code of Practice firmly embedded and compliant
- Increasing intervention where appropriate
- Protecting publican profitability from relentless cost pressures
- Our current task is like-for-like growth across whole estate

Operating performance

Key indicators improving despite market challenges

- Average net income per pub up 1% (2010 down 2%, 2009 down 8%)
- Total discretionary support flat at £15m (2010 - £15m, 2009 - £21m)
    - Exit run rate of discretionary support down by 50%
- Rate of business failures reduced by 13%
- 724 rent reviews completed at an average annual reduction of 1.7% (2010 - 772 reduction of 1.4%)
- 65% of substantive agreements linked to RPI (2010 - 61%)

Operating performance

Underlying indicators of stability

- 90% of estate let on substantive agreements (2010 - 89%)
  - Tenure profile improved from 87% in H1 2011
  - Income down 1.7% to £401m, representing 95% of total income
  - New lettings onto substantive agreements 709 (2010 - 1,028)
  - Average length of licensee occupation is over 5 years
- 2,859 enquiries (2010 - 3,153)
- Closed pubs to be reopened 74 (2010 - 79)
- Overdue balances reduced by 17% to £5.0m
- Underlying bad debts reduced by 28% to £1.5m

Market leading agreements

Rent and wholesale income mix reflecting flexible options

- 35% of agreements free of tie / no ETI share on machines
- 67% of agreements free of tie for wines, spirits and minerals
- 660 tie releases granted in new agreements since 1st October 2010
- 52 tie releases granted in existing agreements since 1st October 2010
- 112 completely free of tie and 32 free of tie agreements pending
- Anticipate further tie releases in 2012

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Proactive intervention

Increased engagement and investment

- Negotiated surrender of agreements
- Financial support conditional on improvement plan
- Promotional spend conditional on quality execution
- £72m capital investment in over 2,000 schemes
- Intensive management with a rigorous focus on retail proposition

Project Beacon

Pre-determined retail offer

- Local market with share growth potential
- Competitive pricing on lead brands and food
- Mandatory approach to:
  - Retail standards
  - Cost controls and procurement efficiencies
  - Reporting regime
  - Promotional execution
- Low cost capital investment
- Operated on tenancy at will agreement until success criteria met

Project Beacon

90 site trial concluded

- Over 40% uplift in volumes
- 30% increase in net income
- Re-establish customer loyalty
- Clear benefits to ETI, publicans and community
- Central brand control with local operational execution
- Detailed retail standards, support and obligations agreement
- Substantive agreement completions imminent
- Up to 300 additional sites in 2012
- Trading concepts in development

Estate quality provides platform for growth

Clear evidence of investment, diversification and sustainability

- 1,570 rent review assessments completed during 2010 and 2011
  - Estimated average publican total turnover of £374k
  - 87% of pubs assessed offer food
  - Where offered, food represents 26% of total publican turnover
- Dining remains the primary consumer occasion in 30% of the estate
- 75% of pubs offer cask ale which now represents over 18% of all beer sales
- More award-winning pubs and publicans (www.enterpriseinns.com)

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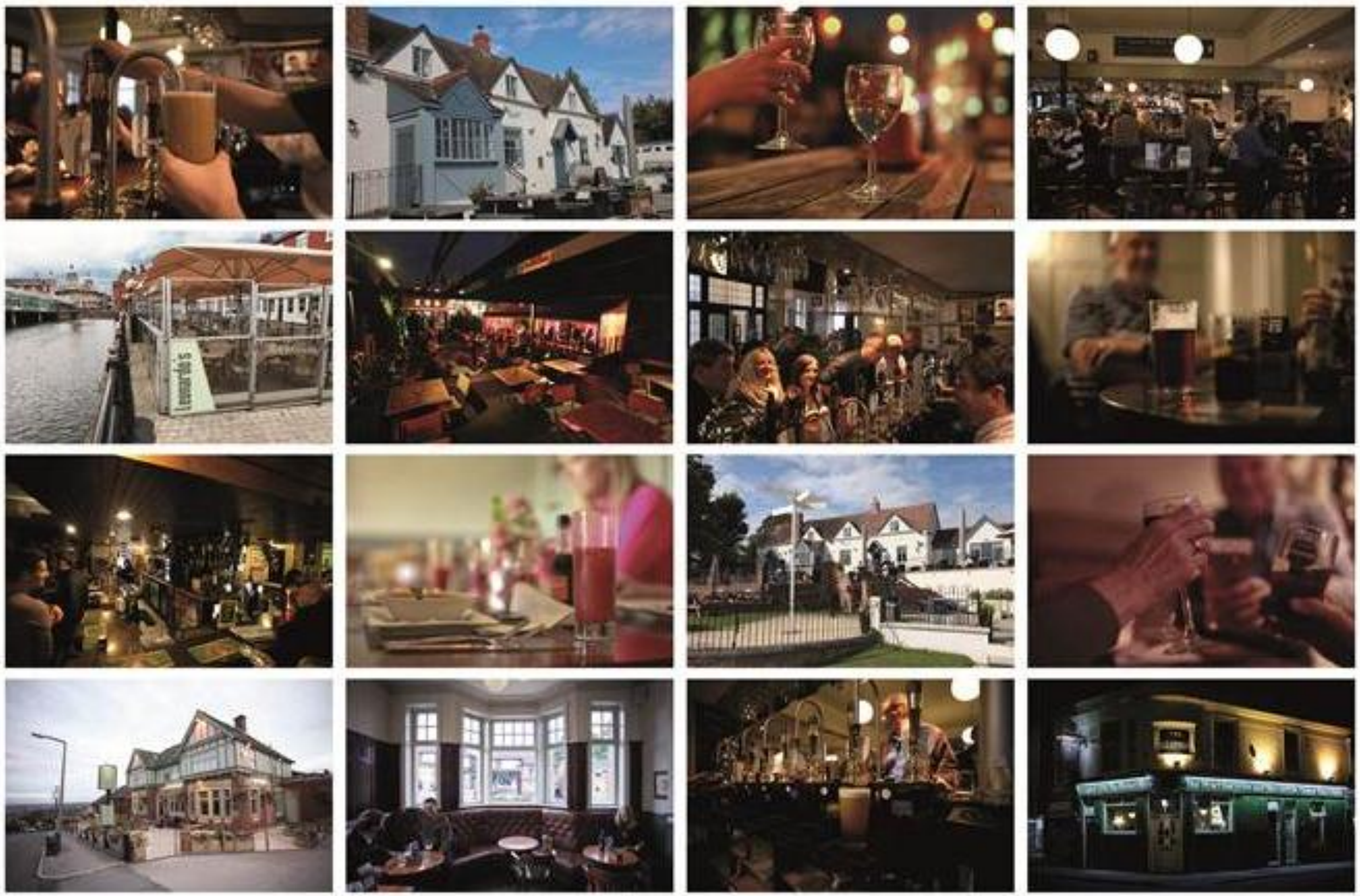
Award winning pubs



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Highest quality assets

Compare favourably with many managed house groups

- > 500 pubs operated by multiple pub groups under management
- > 700 pubs with estimated turnover well in excess of £500k per annum
- Food turnover much higher proportion of total sales
- Rent review and lease renewal programme provide opportunities for income growth
- Enabling ETI to develop retail and managed house insights
- Balance direct management control AND individuality, flair and ambition

Developing trading concepts

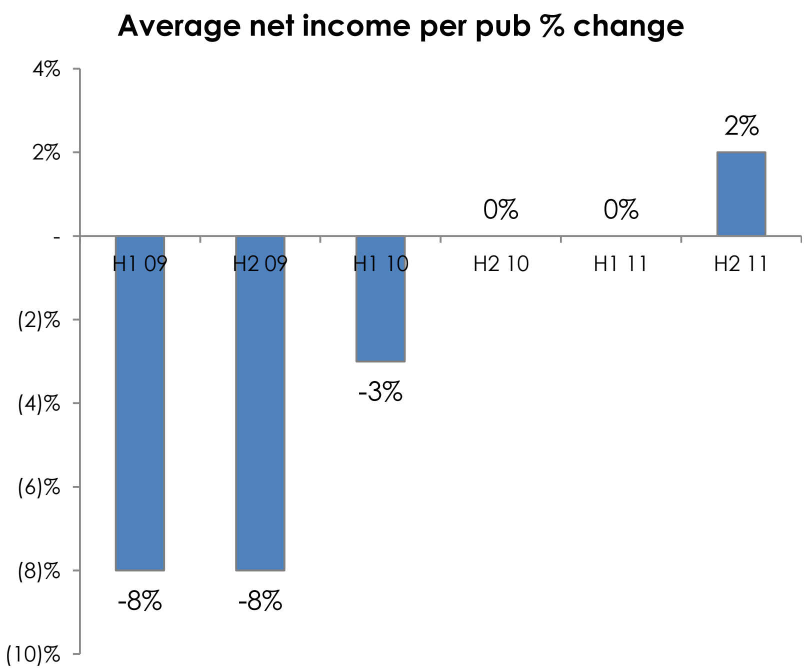
EST. SOME TIME AGO

SALT&EARTH

Ted Tuppen

Chief Executive

Summary - trading



Like-for-like income - occupation

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Total substantives	5,689	401	95	408	(2)
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Total	**6,289**	**421**	**100**	**440**	**(4)**

- Average income per pub moved to 2% growth
- 83% of longer term agreements growing income

Summary - financing

- Debts reduced by £302m to £3,003m
- Three tiered structure provides flexibility
- Corporate bonds
  - Asset backed and no material repayment until 2018
- Unique securitisation
  - Smooth amortisation until 2032 and covenants are manageable
- Bank borrowings
  - Available until December 2013 but investor concerns over refinancing risk

Outlook

- The original ETI business model has faced strong headwinds
  - Operating conditions remain challenging
  - Unprecedented fragility in capital markets
- The business is evolving to meet current challenges
  - Operating model - enhanced flexibility to grow market share
  - Property management - optimise asset utilisation to grow income and value
  - Capital structure - remove the refinancing risk
- The business remains strong and we have confidence in our future prospects

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QUESTIONS

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