



Preliminary Results

30 September 2005

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Preliminary Results 2005

Financial highlights

12 months to 30 September 2005

- Operating profit before exceptionals up 29% to £520.2m
- Profit before tax and exceptionals up 32% to £305.6m
- Adjusted earning per share up 33% to 63.2 pence
- Final dividend of 12.4 pence. Full year dividend up 50% to 18.0 pence



Group profit & loss account

Adjusted EPS up 33%

| | 12 months to 30 Sept | | Increase |
|---------------------------|----------------------|-------------|----------|
| <u>£m</u> | <u>2005</u> | <u>2004</u> | <u>%</u> |
| Turnover | 919.9 | 712.7 | 29 |
| Operating profit | 520.2 | 402.7 | 29 |
| Interest | (214.6) | (171.5) | |
| PBT and exceptional items | 305.6 | 231.2 | 32 |
| Exceptional items | *(1.7) | (18.0) | |
| Taxation | (92.1) | (65.7) | |
| Profit after tax | 211.8 | 147.5 | |
| Adjusted EPS (p) | 63.2 | 47.5 | 33 |
| Dividend per share | 18.0 | 12.0 | 50 |

*Exceptional item includes £2.9m property profit and £(4.6)m exceptional financing costs



Group operating profit

Operating profit reflects the inclusion of Unique for a full year

| <u>£m</u> | 12 Months to 30 Sept | |
|------------------|----------------------|-------------|
| | <u>2005</u> | <u>2004</u> |
| Turnover | 919.9 | 712.7 |
| Cost of sales | (387.3) | (315.0) |
| Gross profit | 532.6 | 397.7 |
| Gross margin | 57.9% | 55.8% |
| Other income | 32.2 | 26.3 |
| Share of Unique | - | 19.0 |
| Overheads | (40.4) | (36.9) |
| Goodwill | (4.2) | (3.4) |
| Operating profit | 520.2 | 402.7 |



Gross margin analysis

Increased margin on beer sales

| <u>£m</u> | Beer, cider & fabs | Licensee discounts | Wines, spirits & minerals | Rent | Other | Total |
|----------------|--------------------------|-----------------------|---------------------------------|--------|-------|---------|
| <u>2004/05</u> | | | | | | |
| Turnover | 658.8 | (41.9) | 36.1 | 266.9 | - | 919.9 |
| Cost of sales | (342.8) | - | (29.1) | (15.4) | - | (387.3) |
| Gross profit | 316.1 | (41.9) | 7.0 | 251.5 | - | 532.6 |
| Gross margin % | 48.0% | | 19.4% | 94.2% | | 57.9% |
| <u>2003/04</u> | | | | | | |
| Turnover | 510.5 | (28.3) | 33.1 | 196.8 | 0.6 | 712.7 |
| Cost of sales | (273.6) | - | (27.5) | (13.3) | (0.6) | (315.0) |
| Gross profit | 236.9 | (28.3) | 5.6 | 183.5 | - | 397.7 |
| Gross margin % | 46.4% | | 16.9% | 93.2% | | 55.8% |



Group cash flow statement

Free cash inflow of £137m

| <u>£m</u> | 12 months to 30 Sept | | Increase |
|---------------------------|----------------------|-------------|----------|
| | <u>2005</u> | <u>2004</u> | <u>%</u> |
| Operating cash inflow | 522.9 | 403.2 | 30 |
| Interest | (235.1) | (158.3) | |
| Tax | (52.8) | (36.3) | |
| | <hr/> | <hr/> | |
| | 235.0 | 208.6 | 13 |
| Dividends | (47.9) | (31.8) | |
| Pub capital expenditure | (48.8) | (50.9) | |
| Other capital expenditure | (0.8) | (1.8) | |
| | <hr/> | <hr/> | |
| Free cash inflow | 137.5 | 124.1 | 11 |

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Taxation

Cash tax outflow of 17%

| | 12 months to 30 Sept | | | |
|-------------------|----------------------|------|--------------|------|
| | 2005 | | 2004 | |
| | £m | % | £m | % |
| Profit before tax | 303.9 | | 213.2 | |
| Tax | (92.1) | 30.3 | (65.7) | 30.8 |
| Profit after tax | <u>211.8</u> | | <u>147.5</u> | |
| Cash outflow | (52.8) | 17.4 | (36.3) | 17.0 |



Group balance sheet

Pub estate valued at £5.2billion

| | 30 September | |
|-------------------------------|--------------|-------------|
| <u>£m</u> | <u>2005</u> | <u>2004</u> |
| Tangible fixed assets | 5,217.2 | 4,931.8 |
| Investments | - | 0.2 |
| Goodwill | 75.3 | 79.6 |
| | <hr/> | <hr/> |
| | 5,292.5 | 5,011.6 |
| Cash | 95.5 | 146.7 |
| Other net current liabilities | (242.6) | (219.1) |
| Creditors > 1 year | (3,304.5) | (3,509.2) |
| Provisions | (100.0) | (76.4) |
| | <hr/> | <hr/> |
| Net worth | 1,740.9 | 1,353.6 |



Group debt structure

Net debt reduced by £157m in 12 months

30 September

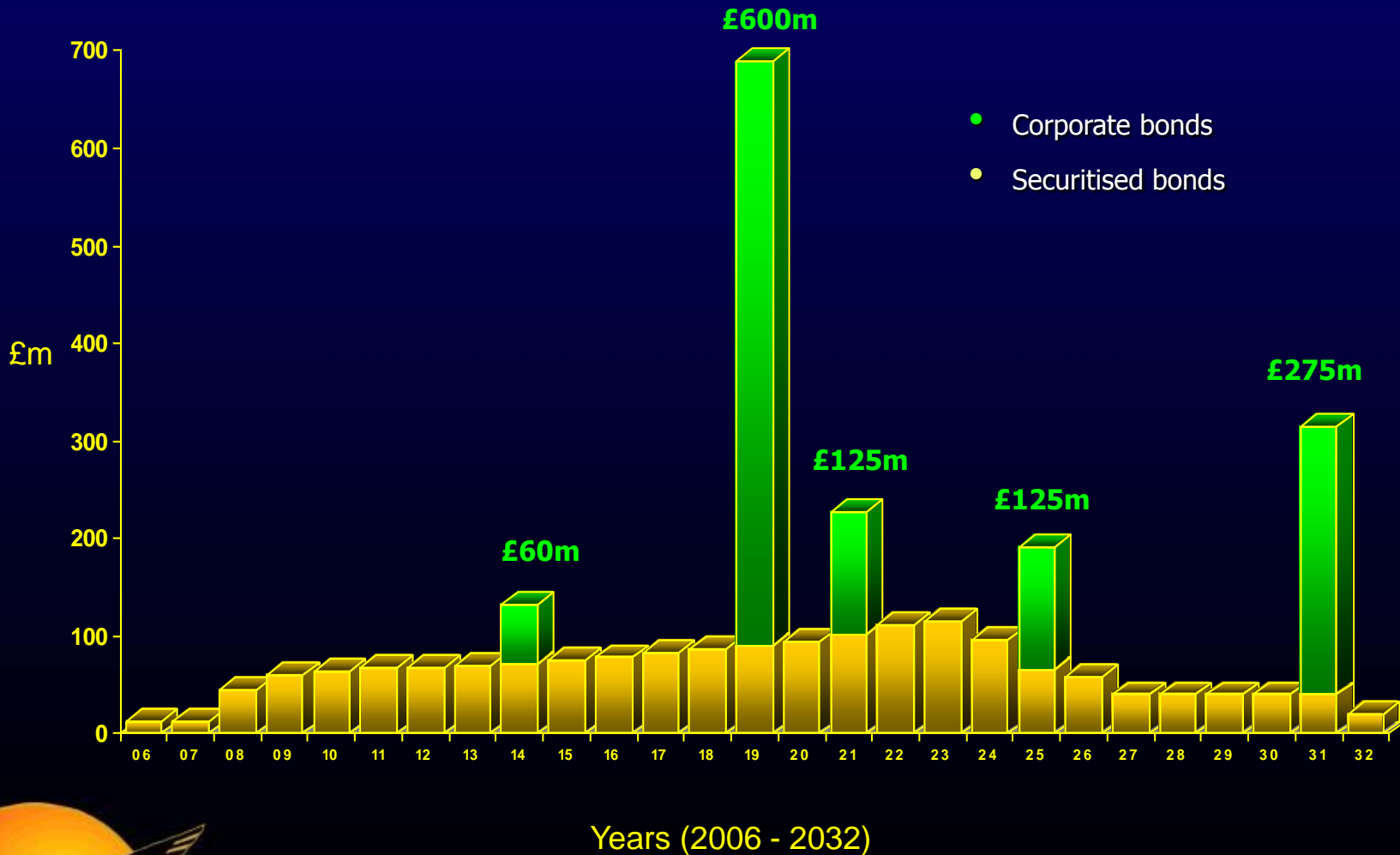
| <u>£m</u> | <u>2005</u> | <u>2004</u> |
|-------------------|----------------|----------------|
| Corporate bonds | (1,185) | (1,185) |
| Syndicated debt | (260) | (435) |
| Securitised bonds | (1,772) | (1,650) |
| Bridge facility | - | (155) |
| Debt | <u>(3,217)</u> | <u>(3,425)</u> |
| Cash | | |
| • Securitised | 98 | 108 |
| • Non-securitised | (2) | 39 |
| Net debt | <u>(3,121)</u> | <u>(3,278)</u> |

- Fully hedged
- Weighted average interest rate of 6.9%
- Unique securitisation £93m ahead of repayment schedule
- Headroom of £230m within bank syndicated debt facility



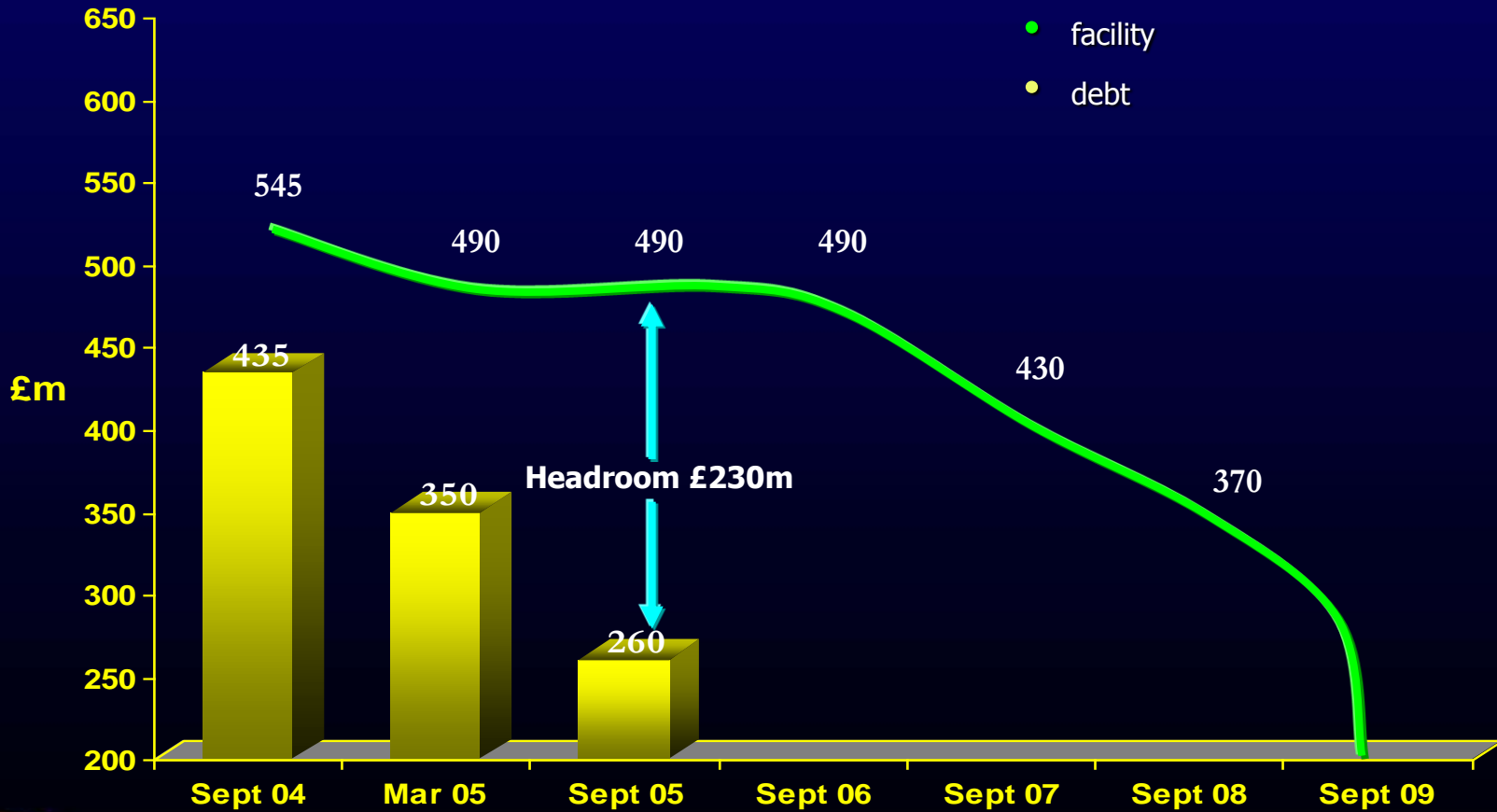
Scheduled bond repayments

Long maturity profile



Syndicated debt facility

Headroom of £230m



No repayment due until March 2007

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Flexible financing structure

Prudent loan to value ratios

| | Loans (Sept 05) £m | Fixed assets £m | LTV (Sept 05) % |
|--------------------|--------------------------|-----------------------|-----------------------|
| Corporate bonds | (1,185) | 1,769 | 67% |
| Syndicated debt* | (262) | 955 | 27% |
| Securitised bonds* | (1,674) | 2,493 | 67% |
| | <u>(3,121)</u> | <u>5,217</u> | <u>60%</u> |

*Syndicated debt and securitised bonds are shown net of cash

Fixed assets includes £30m of other assets



Financial ratios

Comfortably within target ratios

| | "Enterprise" (Non securitised) | | "Unique" (securitised) | | Group | |
|----------------|-----------------------------------|--------------|---------------------------|--------------|--------------|--------------|
| | Sept 2005 | Sept 2004 | Sept 2005 | Sept 2004 | Sept 2005 | Sept 2004 |
| Interest cover | 2.6* | 2.0 | 2.0 | 2.0 | 2.5 | 2.1 |
| Debt : EBITDA | 4.9* | 6.4 | 7.3 | 6.7 | 5.9 | 6.5 |

*"Enterprise" target ratios agreed with rating agencies: Interest cover 2.5 times, debt : EBITDA 5.75 times

"Enterprise" bank covenants at September 2005: Interest cover 2.15 times, debt : EBITDA 6.30 times

"Unique" (securitised) has two covenants : net worth > £150m - £1bn at 30 September 2005

: dscr > 1.1 - 2.0 at 30 September 2005



Timing

- First application – year commencing 1 October 2005
- Full details to be published in April 2006

Key points

- No impact on cash flows or debt covenants
- Minor impact on reported EBITDA
- Pubs subject to depreciation charge (scoping £5m pa)
- Potential volatility
 - Interest rate swaps marked to market
 - Pub values below historic cost
- Revaluations subject to deferred tax provisioning



Operating highlights

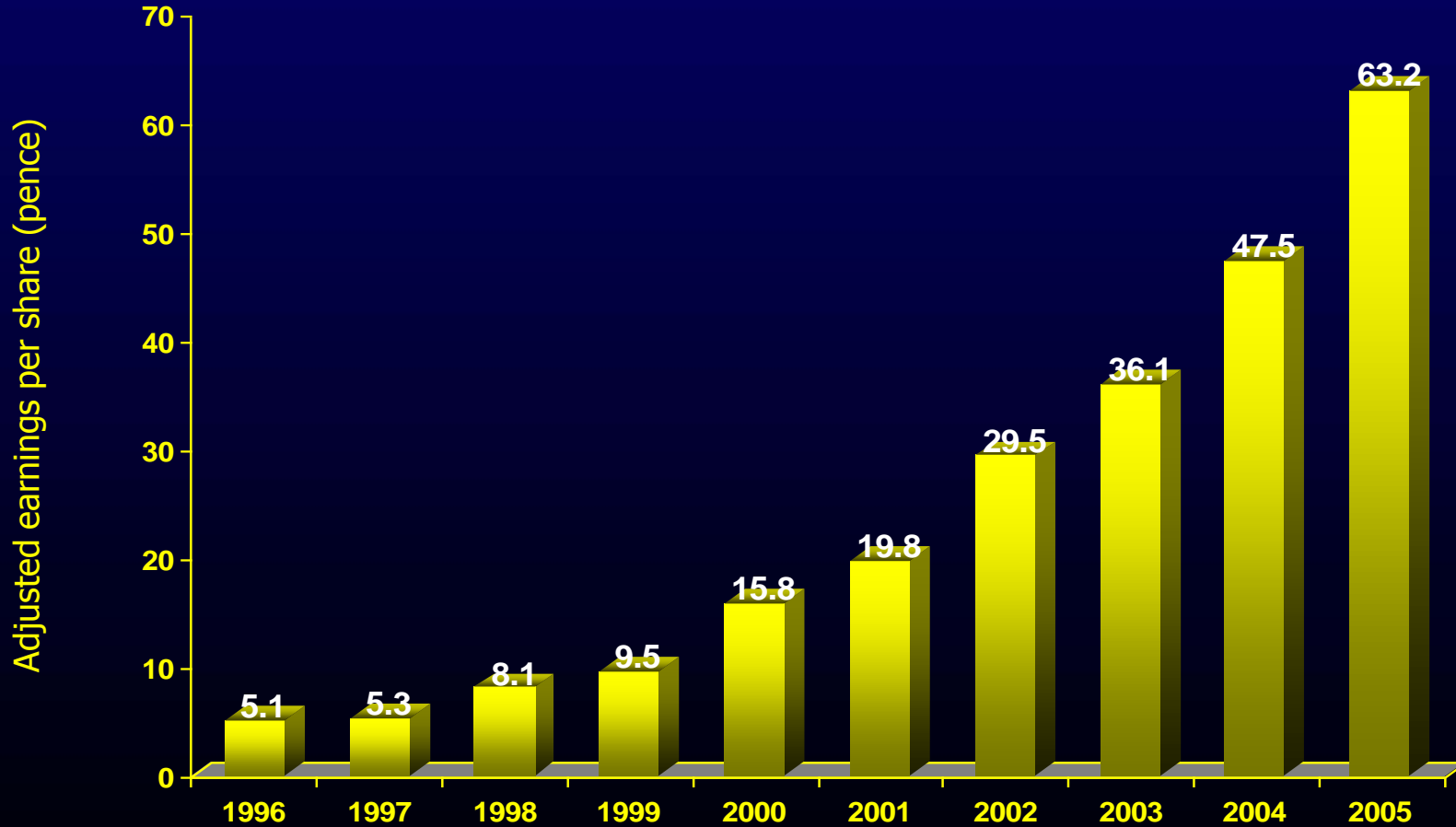
12 months to 30 September 2005

- Profit before tax and exceptionals up 32% to £305.6m
- Average operating profit per pub up 8% to £60,100
- Integration of Unique completed in all respects
- £49m capital expenditure invested into the estate
- 21 high quality individual acquisitions for £14m
- 158 underperforming and high AUV outlets sold for £47m



Adjusted earnings per share

32% annual compound growth

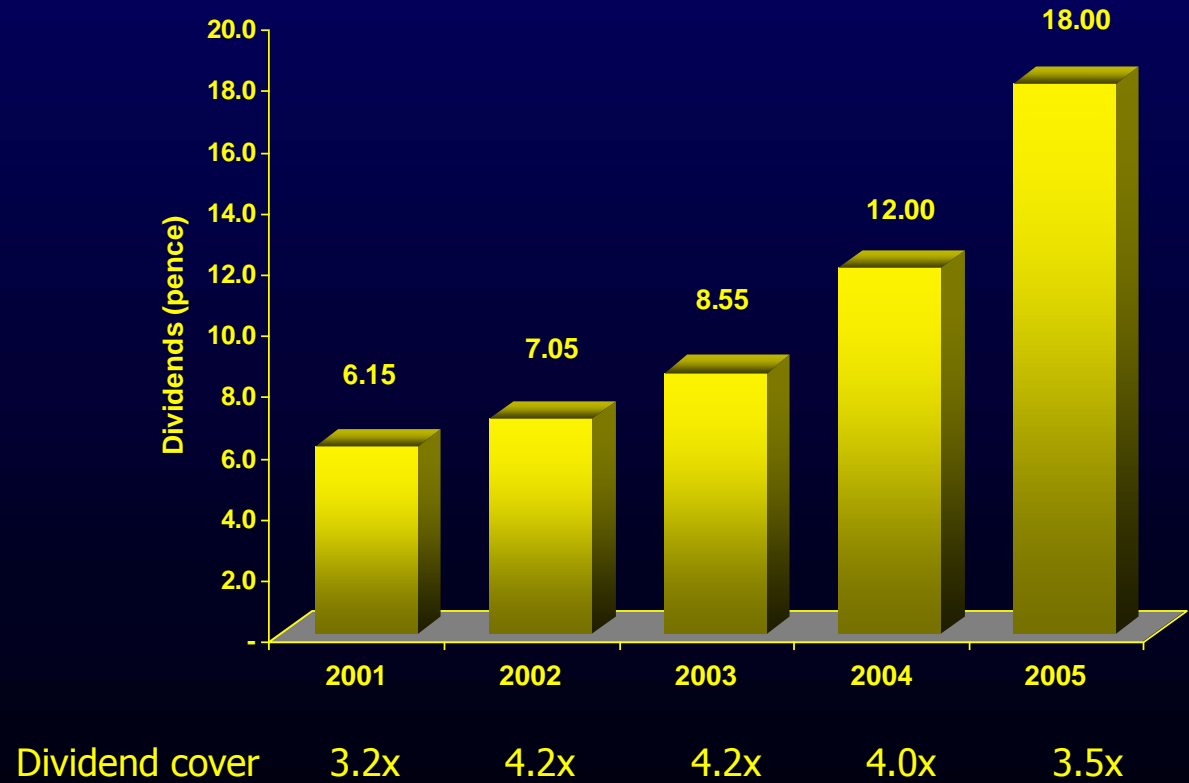


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Dividends

Full year dividend up 50%

- Ongoing dividend cover: target 2.5x to 3.0x



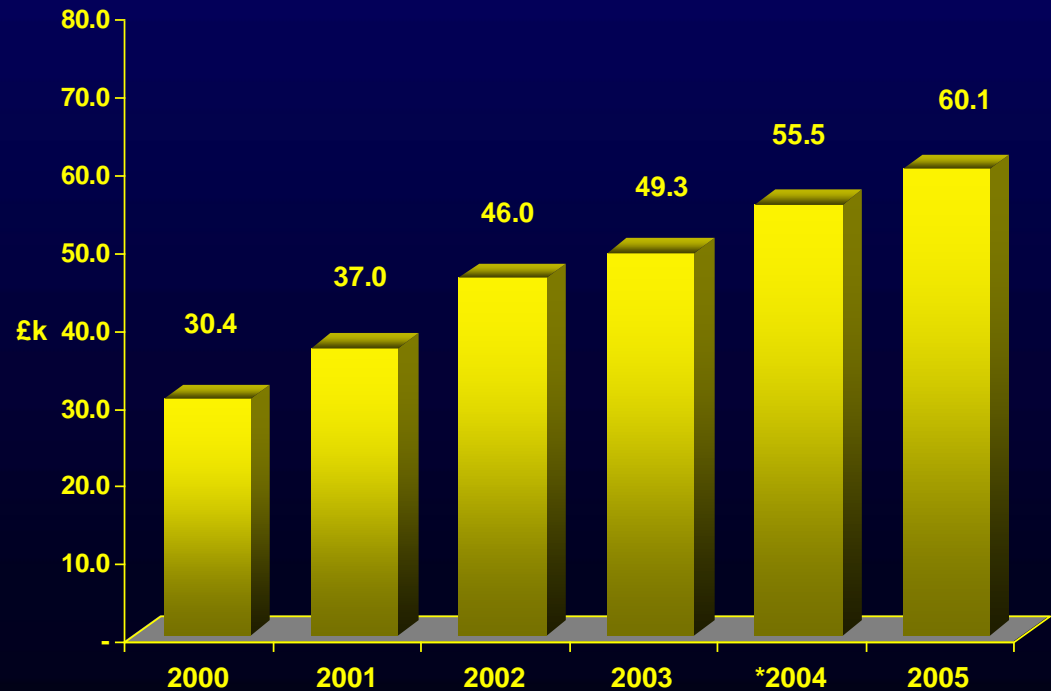
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Operating profit per pub

Improved by 8.3%

| | 12 Months to Sept | |
|---------------------------------------|-------------------|----------------|
| | 2005 | 2004 |
| | Group | Group proforma |
| Average operating profit per pub (£k) | 60.1 | 55.5 |
| Average no. of pubs | 8,651 | 8,950 |



* 2004 is prepared on a proforma basis including Unique for a full year

All numbers reflect operating profit per pub after charging goodwill

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Leases and tenancies

A robust business model

- Appreciating freehold assets
- Strong and predictable cash flow
- The best unbranded franchise in the world



Leases and tenancies

Appreciating freehold assets, increasing returns

| Average annual increase in pub values | |
|---------------------------------------|-------|
| Enterprise Inns | 4.6% |
| Christie & Co*:- | |
| - Pub index | 6.3% |
| - Residential index | 15.6% |

*Source: Christie & Co outlook 2005
(from 1999-2004)

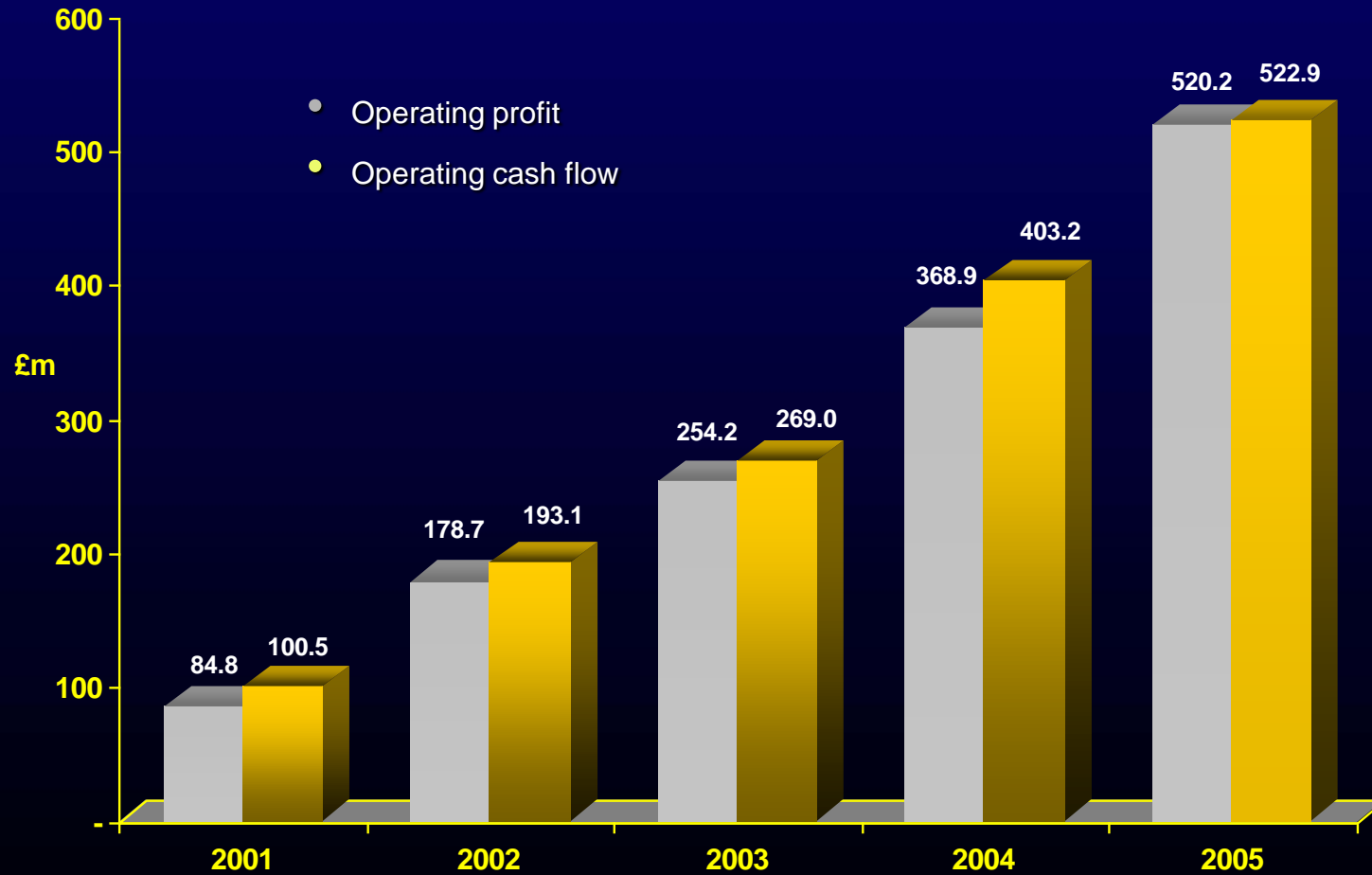
| Year of acquisition | Number of outlets at Sept 2005 | Historic cost (£m) | Current valuation (£m) | Income % of historic cost |
|---------------------|--------------------------------|--------------------|------------------------|---------------------------|
| Pre float | 240 | 46 | 98 | 25.7% |
| 1996 | 267 | 66 | 133 | 22.9% |
| 1997 | 177 | 36 | 63 | 20.9% |
| 1998 | 246 | 66 | 110 | 19.4% |
| 1999 | 640 | 229 | 304 | 15.4% |
| 2000 | 267 | 125 | 167 | 15.3% |
| 2001 | 962 | 579 | 686 | 13.2% |
| 2002 | 1,790 | 906 | 1,109 | 12.7% |
| 2003 | 34 | 18 | 22 | 12.9% |
| 2004 | 3,946 | 2,327 | 2,480 | 11.5% |
| 2005 | 21 | 15 | 15 | 10.5% |
| Total | 8,590 | 4,412 | 5,187 | 12.8% |

Value underpinned by range of alternative uses



Leases and tenancies

Strong and predictable cash flow



Leases and tenancies

Best unbranded franchise in the world

- 8,600 individual businesses
- Entrepreneurial flair and commitment of licensees
- Non-branded, non-formulaic, non-standard
- Not centrally controlled
- Flexible operating and cost structures



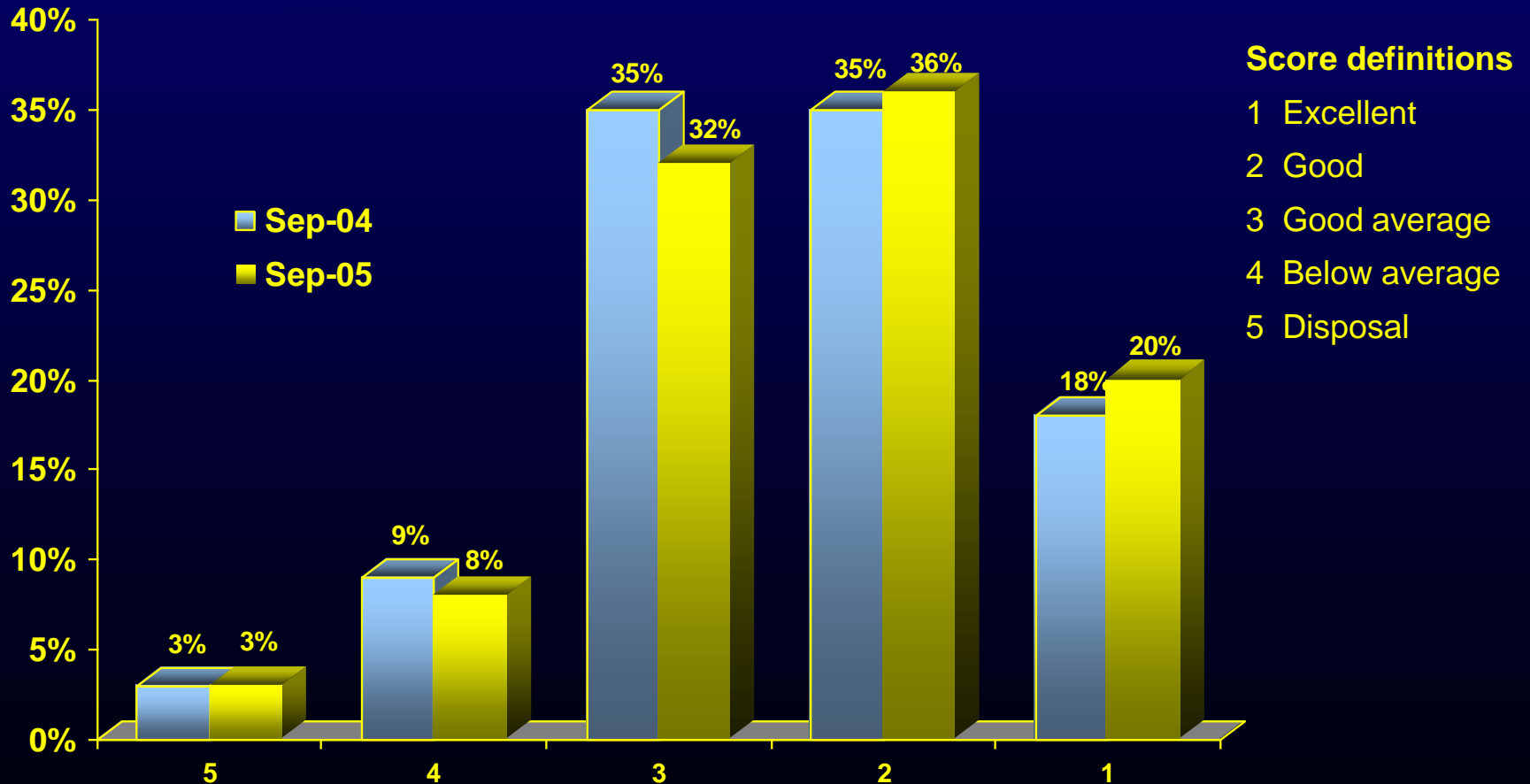
Key objectives for a successful pubco

- Top quality assets
- Profitable licensees



Top quality assets

Continued improvement in estate quality



Source: Estates Review – September 2005

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Licensee profitability

Licensee profitability up by 5%

| | 2005 | | 2004 | | % Increase |
|---------------------------|------|----------|------|----------|------------|
| | £k | % of T/O | £k | % of T/O | |
| Turnover | 265 | | 250 | | 6% |
| Gross margin | 143 | 54% | 135 | 54% | 6% |
| Overheads | (77) | (29%) | (72) | (29%) | |
| Pre rent profit | 66 | 25% | 63 | 25% | 5% |
| Domestic accommodation | 8 | | 8 | | |
| Rent | (32) | | (31) | | 3% |
| Post rent licensee profit | 42 | 16% | 40 | 16% | 5% |



Licensee profitability

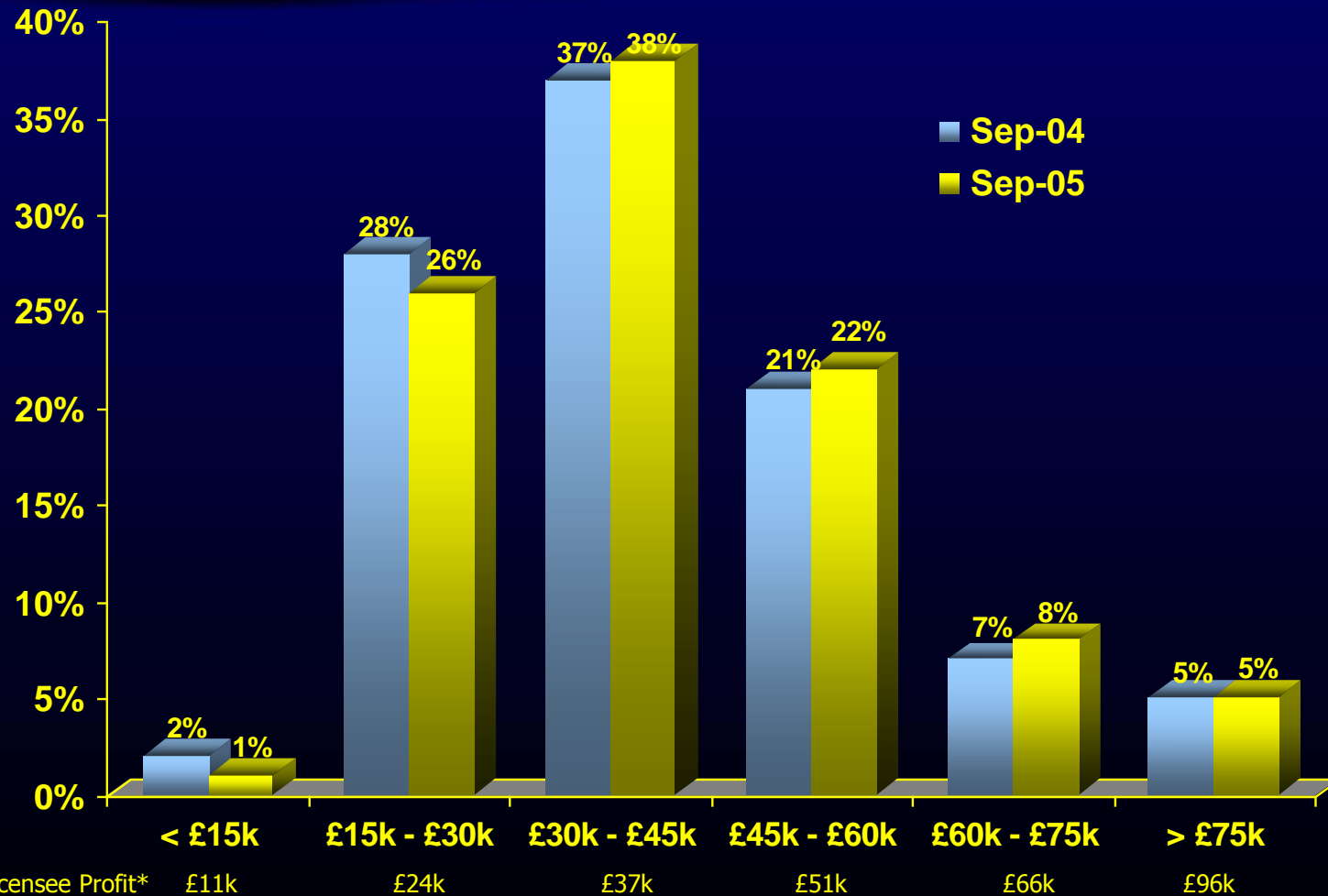
How are they really doing?

- 92% of pubs let on substantive agreements
- Bad debts consistent at less than 0.2% of turnover
- Rent concessions consistent at 0.4% of rent roll
- 1,139 rent reviews, average 2.5% annual increase
- 2 rent reviews decided at arbitration, both found in ETI favour
- 900 fully funded, fully screened quality applicants
- 7,600 enquiries converted to 1,700 formal applications



Licensee profitability

Continued improvements in licensee profitability profile



Average Licensee Profit*

*Includes domestic accommodation and other benefits in kind - average is £8k per licensee, range from £nil to £12k

Source: Estates Review – September 2005

Preliminary Results 2005

Annual estates review 2005

Churn focused in lower profit pubs

| Licensee profitability | No of pubs | Potential disposals | | |
|------------------------|--------------|--------------------------|----------------------------|------------|
| | | Short term 1- 2 years | Medium term 3 – 5 years | Total |
| < £15k | 107 | 63 | 32 | 95 |
| £15k - £30k | 2,204 | 195 | 375 | 570 |
| £30k - £45k | 3,229 | 19 | 98 | 117 |
| £45k - £60k | 1,869 | 5 | 17 | 22 |
| £60k - £75k | 711 | - | 2 | 2 |
| > £75k | 470 | - | 1 | 1 |
| Total | 8,590 | 282 | 525 | 807 |



Annual estates review 2005

Churn focused in lower quality pubs

| Pub quality score | No of pubs | Potential disposals | | |
|-------------------|--------------|--------------------------|----------------------------|------------|
| | | Short term 1- 2 years | Medium term 3 – 5 years | Total |
| 5 | 275 | 198 | 65 | 263 |
| 4 | 707 | 64 | 321 | 385 |
| 3 | 2,782 | 17 | 128 | 145 |
| 2 | 3,114 | 3 | 9 | 12 |
| 1 | 1,712 | - | 2 | 2 |
| Total | 8,590 | 282 | 525 | 807 |



Annual estates review

Capital investment opportunity in over a third of the estate

| Licensee profitability | No of pubs | Potential 3 year capex opportunities |
|-------------------------------|-------------------|---|
| < £15k | 107 | 32 |
| £15k - £30k | 2,204 | 939 |
| £30k - £45k | 3,229 | 1,137 |
| £45k - £60k | 1,869 | 519 |
| £60k - £75k | 711 | 177 |
| > £75k | 470 | 91 |
| Total | 8,590 | 2,895 |



- Licensing act
- Smoking



Licensing act 2003

An opportunity for increased flexibility

- 89% of ETI estate applying for additional hours
- All applications submitted by 6 August
- New hours operational from 24 November
- Increased flexibility



Smoking

Enterprise well placed to manage change

- Current proposals lack coherence and industry support
- Total ban in Scotland (140 pubs), likely in Wales (392 pubs)
- Industry initiative progressing well across ETI estate
 - * No smoking at the bar – 23%
 - * No smoking back of house – 85%
 - * Smoking reduction plan in place – 65%
- 79% of pubs have outside drinking areas
- Evolution not revolution – an opportunity for quality pubs



Smoking

Licensees adapting to new market

Current status

| | % of estate |
|-----------------------|-------------|
| No smoking throughout | 1% |
| Partial no smoking | 56% |
| Smoking throughout | 43% |
| Total | <u>100%</u> |
| Smoking plan in place | 65% |

Outside areas

| | % of estate |
|---------------------|-------------|
| Beer garden & patio | 32% |
| Beer garden only | 18% |
| Patio only | 29% |
| Neither | 21% |
| Total | <u>100%</u> |

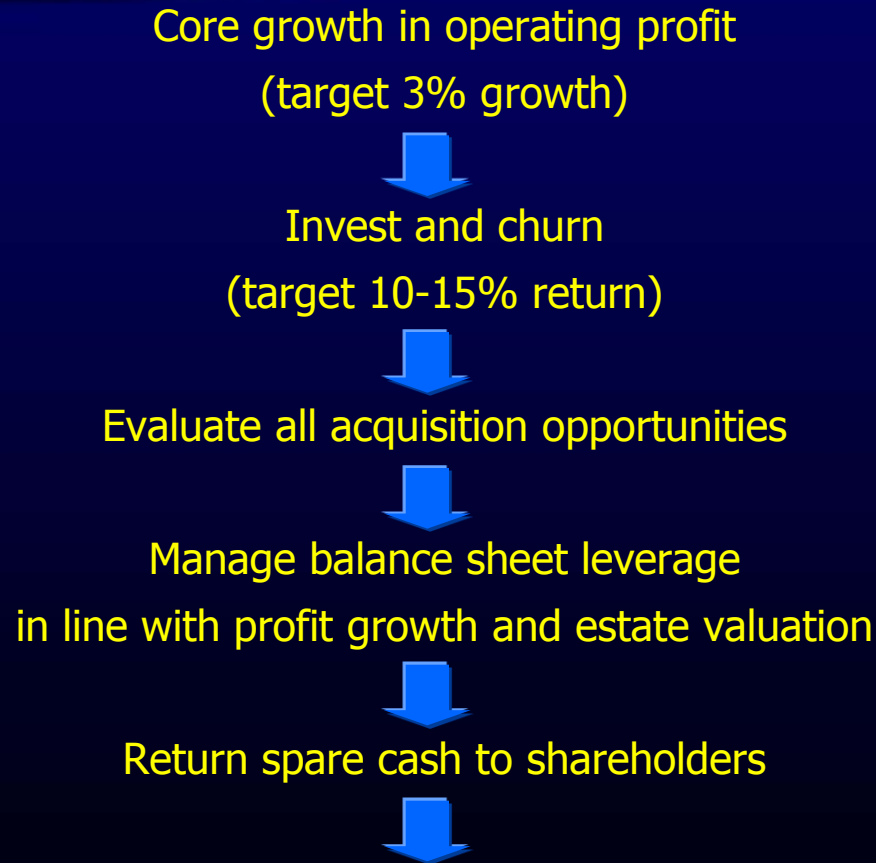
Food offering

| | % of estate |
|-------------------------|-------------|
| Restaurant & speciality | 18% |
| Traditional bar meals | 38% |
| Light snacks | 25% |
| No catering | 19% |
| Total | <u>100%</u> |



Growth in a tenanted estate

Manage the pubs, the cash flow and the balance sheet



Double digit growth in EPS



Summary

- 33% growth in adjusted earnings per share
- Strong cash generation
- 50% increase in dividend
- Cash available to buy back shares
- Improving pub quality and profitability
- Increasing licensee profitability
- Clear strategy for growth in shareholder value
- Continued progress in challenging conditions





Questions

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