ENTERPRISE

4th August 2011

Enterprise Inns plc

Interim Management Statement

Enterprise Inns plc (ETI) publishes its Interim Management Statement for the 44 weeks to 30th July 2011.

Continued improvements in trading performance

We have continued to see stabilisation in trading performance, with average income per pub up by over 1% in the eighteen weeks since the Interim Results after being flat during the first half. During the period we benefited from the exceptional weather and two bank holidays during April but were then challenged by difficult comparisons with the FIFA World Cup in June last year. Whilst remaining cautious about the underlying economic environment, we expect to deliver results for the full year in line with our expectations.

Net income in pubs let on substantive agreements continues to improve, although there remain regional differences. In the 18 weeks since the Interim Results, like for like net income per pub within the substantive estate declined by less than 1% (H1: -2%), comprising a decrease of 3% (H1: -5%) in the North, no change (H1: -2%) in the Midlands and an improvement of 1% (H1: +1%) in London and the South. These like for like figures take full account of discretionary support given to publicans. Whilst the cost of this support stands at around £1.4 million per month for the year to date, we are pleased to note that the requirement for financial support and the monthly cost thereof is now beginning to reduce.

Stricter pre-entry training and business planning requirements are having a positive impact for publicans taking pub businesses with ETI, although this has resulted in some delays in signing substantive agreements. We currently have 88% of our pubs, representing 94% of net income, let on substantive agreements (H1: 87%) and we expect to meet our target of more than 90% of pubs on substantive agreements by the end of the financial year.

Continued progress in disposal of non-core pubs

We continue to dispose of non-core pubs which do not fit the future profile of the business, with net proceeds to date of £69 million from the sale of 335 pubs. In the full year we expect to dispose of some 500 pubs, generating total net proceeds in the region of £110 million.

As previously reported, we largely completed our sale and leaseback programme in May this year, having raised £247 million from the sale of 176 high value properties at an average rental yield of 6.5%.

Borrowings reduced despite on-going investment

Strong cash generation from the business plus the benefit of strategic asset disposals have continued to reduce the level of borrowings under our bank facility. Despite increased capital investment, which has seen us working alongside our publicans to invest more than £50 million in the year to date and which will exceed £60 million for the full year, the level of our bank borrowings is on track to be around £450 million by the end of the financial year. We continue to prepay the Unique floating rate notes and, having prepaid £55 million so far this year, remain £80 million ahead of schedule.

We believe that the current levels of borrowing and amortisation are sustainable even if, as we believe, the UK economy and consumer spending remain subdued for a considerable period of time. However, we continue to have the ability to reduce bank borrowing substantially should that be necessary.

Business evolution

The ETI business is continuing to evolve as we constantly improve the quality of the estate through investment and the disposal of non-core pubs. We now offer a wide range of letting agreements, from fully tied traditional tenancies through to standard commercial agreements which are totally free of tie.

The provision of food in our pubs continues to grow in importance as the overall quality of the estate improves and we estimate that food now accounts for approaching 25% of pub turnover across the estate. The nature of the business model is such that improvements in performance take time to feed through into like for like growth in net income, but we are pleased that many key indicators suggest that we are moving in the right direction. In particular, having seen significant declines over the past two years, our total rent roll (net of concessions) has remained stable for the past five months.

Our strategy remains clear: to stabilise the business and then to build EBITDA, firstly on a like for like basis per pub and then, as our accelerated disposal programme comes to an end, by growing the absolute level of EBITDA.

We expect to announce preliminary results for the year ending 30th September 2011 on 22nd November 2011.

Enquiries

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