9th February 2012

Enterprise Inns plc

Interim Management Statement

Enterprise Inns plc (ETI) publishes its Interim Management Statement for the 18 weeks to 4th February 2012, to coincide with its Annual General Meeting to be held at 11.00am today.

Highlights

- Continuation of improving trading trends, with like-for-like income per pub up 1% in the substantive estate (95% of total pub income)
- Average net income per pub up 5%, up from 1% in 2010/11
- Estimated total proceeds from all asset disposals of between £150 and £200 million for the current financial year
- Appointment of Robert Walker to become new chairman

A strong start to the year in challenging trading conditions

The first four months of the trading year have seen a continuation of the improving trends reported at the time of our Preliminary Announcement of 22nd November 2011. Like-for-like income per pub in the substantive estate (which represents 95% of total pub income) was 1% ahead of the same period last year, with the entire estate less than 2% down. Along with the rest of the pub industry, trading has benefited from the comparison with the extreme weather conditions of December 2010, which we estimated last year cost us almost £2 million in operating profit, part of which was recovered by strong trading in January 2011.

Average net income per pub, which benefits not only from improvements in operating performance but also the disposal of underperforming pubs, was almost 5% ahead during the 18 week period, compared to a 1% improvement for the whole of the last financial year.

We are pleased to report evidence of progress on many fronts, not least in the reduced level of business failures, a further reduction in the level of overdue balances and a substantial reduction in the cost of financial support for publicans who are struggling with the current economic conditions.

Equally, we have seen continued success in our Beacon pubs. Whilst our recent operational reorganisation meant that there were relatively few conversions during the first quarter, the 110 pubs which have been operating under the Beacon managed tenancy format for at least four weeks continue to deliver net income uplifts of close to 30%. We expect to have 150 Beacon pubs by 31 March 2012, with a target of 300 by the end of the financial year.

Successful reorganisation of the operations and property teams

Recognising the importance of driving like-for-like growth across our entire estate of pubs, we have strengthened and expanded the operations team during the first quarter, recruiting an additional managing director and creating four new divisions in order to provide greater focus on helping our publicans drive performance in what continues to be a very challenging market.

At the same time, the property team is being redirected to ensure that we gain maximum value from our large and diverse estate of freehold properties. Working with external property consultants we have already identified a number of opportunities where we can achieve sale proceeds at attractive multiples of earnings and at prices in excess of current book value.

Continued progress in disposal and sale and leaseback programme

As previously reported, we have now largely completed our accelerated disposal programme of underperforming assets which do not fit the future profile of the business. We therefore expect this year to return to the normal level of asset churn amounting to around £50 million of proceeds per annum. These funds will be broadly matched with investment designed to drive forward the performance of our core estate.

However, following our recent property reorganisation and review, our property team has identified for sale a number of exceptional properties which can realise substantial cash proceeds above book value and we expect to complete a number of such sales during the next two years. During the current financial year, we now estimate that total proceeds from all asset disposals, including normal churn of underperforming assets, will be between £150 and £200 million, with a broadly similar programme planned for the following year.

So far this financial year, including a sale and leaseback package of 17 pubs for £24 million, we have completed the sale of 63 pubs for total proceeds of £40 million, a profit of £2 million over book value. In addition, we have already exchanged contracts for the sale of a further 33 pubs, with net proceeds of £33 million for completion during the current financial year, including the package of 15 pubs which, as announced on 3 February 2012, is in the process of being sold to Fullers for £22.9 million.

Reduction in bank borrowings and review of overall debt structure

Strong cash generation from the business plus the benefit of strategic disposals have continued to reduce the level of borrowings under our bank facility, even after a one-off £17 million adverse impact on working capital of changed supply terms as we moved to benefit from taking greater control of order processing and supply chain management. Despite this one-off outflow, and having invested more than £25 million into capital improvements in the estate during the period, we have further reduced our bank borrowings, net of cash, to around £420 million (£446 million at 30 September 2011). Having cancelled £80 million during the period, total bank facilities now stand at £465 million, of which tranche B represents only £61 million. At the same time, we remain £67 million ahead of the repayment schedule in regard to the A2N floating rate notes in the Unique securitisation.

As noted at the time of our Preliminary Announcement, we face volatile times in the capital markets which bring both opportunities and risks. Whilst continuing to reduce our exposure to the banking and bond markets, we are at the same time bringing forward a review of our overall debt structure to ensure that the appropriate level of funding is available beyond the current bank facility term of December 2013. As part of this review, we are considering a number of options to avoid the risk of excess cash being trapped in the Unique securitisation, including the purchase of Class A Notes in the market and their cancellation.

Regulatory progress but no relief from taxation and bureaucracy

Along with the whole pub industry, we are pleased that the Department for Business, Innovation and Skills confirmed the benefits of self-regulation in the leased and tenanted sector, allowing the industry to concentrate all of its energy and resources on the real challenges facing UK pubs without further distraction.

Whilst we understand the need for the Chancellor to keep the country's finances under strict control, we, our publicans and our customers urge the Government to recognise the economic and social contribution that responsibly run, thriving community pubs can make to this country, not least in providing significant employment opportunities where young people can learn worthwhile skills. In particular, at a time when retail price inflation is running at 4.8%, we would suggest that the highly damaging duty escalator is dropped and that further steps are taken to discourage the sale by supermarkets of alcohol at irresponsibly low prices.

Building resilience and quality to trade through challenging economic conditions

We expect trading conditions to remain challenging throughout the coming year as consumers face economic uncertainty and publicans have to manage rising cost pressures.

Despite these challenges, we are confident that our long-term strategy of improving the quality of our estate and the profitability of our publicans is providing clear evidence of operational stability and increasing success. Alongside the pursuit of like-for-like growth in profitability for both our publicans and ourselves, we will continue to seek to strengthen our balance sheet through rigorous management of our freehold assets and the appropriate use of cash.

In a separate statement issued this morning, ETI has announced the appointment of Robert Walker to succeed Hubert Reid as Chairman.

We intend to announce Interim Results for the 26 weeks to 31st March 2012 on 15th May 2012.

Analyst Conference call:

9.00am GMT	Tel +44 (0)20 3140 0668 / Pin code: 865241#
Replay:	Tel +44 (0)20 3140 0698 / Conference code: 382246#

Enquiries

Tulchan Communications, Ed Orlebar/David Allchurch 0207 353 4200
Ted Tuppen, Chief Executive 0121 733 7700
Neil Smith, Chief Financial Officer 0121 733 7700
Emma Greves, Investor Relations Manager 07990 550210