22nd January 2009

Enterprise Inns plc

Interim Management Statement

Enterprise Inns plc (ETI) publishes its interim management statement for the sixteen weeks from the start of the financial year to 17th January 2009, to coincide with its Annual General Meeting to be held at 11.00 am today.

These are times of great challenge for the UK economy and for consumer facing businesses in particular. Licensees across the pub industry, whether in free houses or leased and tenanted pubs, are battling with substantial cost increases, led not least by the Government's ill conceived policy of increasing alcohol duties materially above the rate of inflation. The Treasury took the opportunity of the "fiscal stimulus" announced in November to increase duty on beer by a staggering 8%, adding to the 9.1% increase announced in the Budget in March 2008. Whilst pubs remain at the heart of many communities and pub going continues to be the preferred social pastime for a large proportion of the UK population, consumer confidence has reached new lows and spending in pubs is under real pressure.

Against this background ETI has continued to work closely with licensees, not only to help them to develop new business opportunities but also to offer financial support where appropriate through rent concessions and special discount schemes. During the first quarter, the cost to ETI of these schemes has continued at around £1.4 million per month, similar to the exit rate experienced at the end of the last financial year.

During the first sixteen weeks of the year, like for like average beer sales per pub, net of contractual and special discounts, are running some 6% down on the comparable period last year. However, margin is 8% down once the impact of duty increases above the rate of inflation is taken into account.

We have had considerable success in reducing the number of pubs temporarily closed as a result of licensee changes, but concessions continue to put significant pressure on the overall rent roll, with rental income down by 7% against the same period last year. Overall, net income per pub is down by around 8% on a like for like basis, reflecting tougher comparisons with the strongest quarter last year and in line with our expectation that the first half of this financial year would be particularly difficult.

There has been some publicity surrounding low price offers for drinks in some pubs. This is a disappointing development but with supermarkets continuing to sell packs of beer often at prices below cost, it is sometimes necessary to compete on price. In a recession, price does of course take on a greater significance and, recognising the margin difficulties that enforced discounting may cause in some instances, we will continue in the coming year, through our traffic building schemes, to offer financial assistance which can facilitate price reductions where this is appropriate. We should not however lose sight of the fact that, unlike supermarkets which have little else to offer except price, a good pub offers so much more to its customers, providing a safe and sociable environment at the heart of its community.

As explained at the time of the preliminary results, our pub acquisition programme has been put on hold for the time being and greater resource has been focused on our disposal programme. In the first few weeks of this financial year, we completed the acquisition of four top quality pubs for £3 million, contracts that had been exchanged during the prior year. There will be no further acquisitions during the current financial year.

Capital expenditure on the estate has however continued apace, with particular focus on smaller schemes aimed at reinvigorating struggling pubs and helping existing licensees to develop new business opportunities. During the first quarter, capital expenditure on the pub estate amounted to some £11 million and we expect to spend in the region of £45 million in the full year.

Increased focus on the disposal programme has delivered results in line with our expectations in a difficult property market. In the sixteen weeks to date, we have completed the sale of 62 pubs for a net consideration of £17 million. Contracts have been exchanged for the sale of 22 pubs for £7 million and a further 62 pubs, with expected proceeds of £17 million, are in the hands of solicitors awaiting exchange of contracts. In total, these disposals have achieved sale proceeds broadly in line with book value.

Our pub estate has always been conservatively valued and at the time of our last valuation, in September 2008, approximately one third of our pubs were written down by an average of 14%, reflecting the fact that the smoking ban, in particular, had resulted in a permanent reduction in potential profitability for a number of outlets. At the same time, the remaining two thirds of our estate comprising pubs which were well placed as a result of underlying quality, investment and market position had grown earnings and maintained or increased value.

We expect trading conditions to continue to be very challenging during 2009, but with a Group loan to value ratio of around 63% and fixed charge cover at two times, the balance sheet and cash flows remain robust. Debt ratios are broadly in line with those reported as at the end of September 2008 and there is no requirement for refinancing before May 2011, when our existing 5 year bank facility of £1 billion is due for renewal. We have in place a sensible plan for debt reduction over the next two years and will continue to review the available options in the debt market.

We expect to announce interim results for the 26 weeks to 31st March 2009 on 12th May 2009.

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