

21st January 2010

Enterprise Inns plc
Interim Management Statement

Enterprise Inns plc (ETI) publishes its Interim Management Statement for the 16 weeks to 16th January 2010, to coincide with its Annual General Meeting to be held at 11.00am today.

Trading during this period has been variable, although generally strong Christmas trade brought a welcome uplift in sales for many of our licensees. Whilst extreme weather, particularly during the first two weeks of January, kept many customers at home and disadvantaged some pubs, it brought extra custom to others and highlighted once again the key role that the pub plays at the heart of many communities.

Against a testing background for the UK pub industry, rental income is under pressure and is likely to remain so throughout the coming year. There are however signs that trading in better quality pubs continues to stabilise, with average net income per pub in the 82% of our pubs let on substantive agreements down by less than 2% during the period. Across the whole estate, in part helped by our success in disposing of underperforming pubs, the decline in average net income per pub has eased to around 4%, having fallen by 8% during the last financial year.

We are pleased to be able to report a number of other improving trends across the ETI estate. Whilst the number of closed houses has remained broadly constant, we have substantially reduced the number of outlets either holding over, pending legal action or operating under temporary management agreements. Although this has resulted in an increase in the number of pubs operating under short term tenancy agreements, many of these are now occupied by licensees who are in the process of finalising longer term agreements with the company. We continue to offer financial support to licensees who find themselves in difficulty and are encouraged that many of these have now been able to stabilise their businesses, thereby reducing the cost of financial assistance. Whilst the overall cost associated with providing financial support to licensees, business failures and operating temporary management agreements has in total been higher than the corresponding period last year, it is encouraging that the trend of reducing costs referred to at the time of our preliminary announcement in November 2009 has continued. In addition, we are particularly encouraged by the strength of demand from good quality licensees seeking a pub with ETI.

We continue to enjoy considerable success with our programme of disposing of poorer quality pubs which do not fit the future profile of the ETI estate. During the period we have completed the sale of 103 pubs for £32 million. Contracts have also been exchanged for the sale of 34 pubs for £15 million and a further 95 pubs, with expected proceeds of £32 million, are in the hands of solicitors awaiting exchange of contracts. These sales have generated a reasonable profit above book value and confirm our view that our pub estate is conservatively valued and that pub values are beginning to stabilise.

In addition, we have taken advantage of a strong market for sale and leaseback properties in London, selling at auction during the first quarter 20 pubs for net proceeds of £39 million, based upon 35-year, non-index linked leases back to ETI at an average rental cost of 6%. These pubs realised a significant profit above book value. We have identified a further 24 properties which will be offered for sale and leaseback on similar terms during the current quarter.

Strong cash generation from the business plus the benefit of sensible asset disposals have continued to drive our programme to reduce the level of borrowings under our bank facility. Based upon discussions with members of our banking group and input from our advisers, the Board remains confident that adequate banking facilities will be available at the time of our refinancing, which we expect to be concluded before the end of this financial year.

The ETI business has continued to develop over the past two years, with improvements to the average quality of the pub estate and enhanced licensee training programmes which have been recognised by the British Institute of Innkeeping. We are making good progress with the continuing evolution of our business model to reflect the market in which we operate and we have also delivered higher standards of professionalism, training and development within the ETI operations team, including our award winning associate regional manager programme. The development of our people has been driven substantially by the contribution of Colin Pedrick, Managing Director – Operations (East), who retires from the business at the end of March, and it is a credit to our strength in depth that we have been able to appoint a successor from within.

Trading conditions will be challenging throughout the year as pubs and consumers alike face the prospect of rising taxes and higher unemployment. However, as we continue to improve the quality of our estate both through investment and the disposal of unsustainable pubs, we remain confident in our strategy and believe that we are well positioned to drive the business forward through these difficult times.

We expect to announce interim results for the 26 weeks to 31st March 2010 on 11th May 2010.

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