

20th January 2011

Enterprise Inns plc
Interim Management Statement

Enterprise Inns plc (ETI) publishes its Interim Management Statement for the 16 weeks to 15th January 2011, to coincide with its Annual General Meeting to be held at 11.00am today.

Stable average net income in difficult trading conditions

After a solid start to the financial year, adverse weather conditions in the key trading period leading up to Christmas caused difficulties for many of our licensees. Whilst the distribution network performed well, the dangerous conditions caused by the extreme cold and snow kept many customers at home at a time when pubs across the industry would expect trade to be at its peak. It is therefore a tribute to the resilience of our licensees and the determination of their customers that we estimate the impact of these extreme conditions on our first quarter operating profit to be no more than £2 million. We can take further encouragement from performance during the three weeks following the quarter end where, against easier comparables due to last year's poor weather, some of this December shortfall has already been recovered.

Notwithstanding the weather related trading difficulties over Christmas, we estimate that average net income per pub is down by around 1% during the period, with like-for-like net income per pub in the substantive estate down by around 2%, in line with that reported for the last financial year. Whilst the adverse weather has somewhat distorted performance statistics in the short term, we remain confident that average net income per pub for the whole estate and like-for-like net income in the substantive estate will improve during the year.

Continued progress in disposal of non-core pubs and sale and leaseback transactions

Our programme for disposing of non-core pubs which do not fit the future profile of the business continues to be successful. In the period we completed or exchanged contracts for the sale of 105 pubs, generating net proceeds of £32 million, a profit of £4 million over book value and in the full year expect to dispose of 400-500 pubs, generating total net proceeds in excess of £125 million.

In addition, we continue to take advantage of the strong market for sale and leaseback properties in London, selling both at auction and in a package deal a total of 58 pubs for net proceeds of £73 million, a profit of £15 million over book value, based upon 35-year leases back to ETI at an average rental cost of 6.8%. Demand remains strong for these properties and we expect to offer for sale and leaseback up to a further 50-60 properties during this financial year.

Borrowings reduced despite on-going investment programme

Strong cash generation from the business plus the benefit of strategic asset disposals have continued to drive our programme to reduce the level of borrowings under our bank facility. Despite a robust pub estate investment programme, which has seen us working alongside our licensees to invest more than £12 million in capital improvements during the period, we expect our bank borrowings to be well below the level of our Forward Start facility when it comes into effect in May this year.

New Code of Practice well received by licensees

Our new Code of Practice was formally launched at the beginning of the year and has been well received by the vast majority of our licensees. Not only does this new Code formalise the wide range of agreement types available to licensees, in particular offering greater freedom from the tie where appropriate, but the Code also enhances the level of disclosure and requirements for training which must now be completed prior to a licensee taking a pub with ETI. We are very pleased to have delivered more than 1400 training days to almost 700 licensees during the first quarter, covering both pre-agreement training and business development courses. Whilst stricter pre-entry requirements have led to some delays in signing new substantive agreements, we remain focused on achieving our objective of more than 90% of the estate operating on substantive agreements during this financial year.

A quality estate to trade through challenging economic conditions

Trading conditions are likely to be challenging throughout the year as licensees and consumers alike face the prospect of economic uncertainty, increases in duty and VAT, rising costs and higher unemployment. However, there is clear evidence that a significant majority of our estate is successfully facing up to these challenges and trading well. We are further encouraged that the Coalition Government recognises the economic and social contribution that responsibly run, thriving pubs at the heart of communities can make to the Big Society and we look forward to measures designed to promote this objective.

We expect to announce interim results for the 26 weeks to 31st March 2011 on 17th May 2011.

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