

20th July 2010

Enterprise Inns plc

Interim Management Statement

Enterprise Inns plc (ETI) publishes its Interim Management Statement for the 42 weeks to 16th July 2010.

Current trading

We are pleased to announce that we have continued to see an improving trend in trading performance since the Interim Results and, whilst remaining cautious about the underlying economic environment, we expect to deliver results for the full year in line with our expectations. The trend of stabilisation in the estate has continued and we are pleased that, with the help of reasonable weather and the FIFA World Cup, average income per pub during the third quarter was in line with that achieved in the same period last year. On a year-to-date basis, despite challenging conditions across the pub sector, average income per pub for the entire estate is down by just 2% on last year.

We have applied stricter pre-entry training requirements for new licensees which have tempered growth in the level of substantive agreements. Nevertheless some 86% of our pubs, representing 93% of net income, are currently let on substantive agreements and we anticipate that this percentage will increase in the run up to the year end. Pubs let on substantive agreements continue to perform well, with like-for-like income per pub for the year-to-date down by less than 2% compared to the same period last year.

The percentage of pubs closed or let on short term agreements (TAWs) has remained broadly constant but we are pleased that there are now just 55 pubs operating under Temporary Management Agreements (TMAs), a figure which we expect to reduce to close to zero by the end of the financial year. We continue to enjoy a strong demand from new licensees wishing to take on good quality pubs.

Disposal programme

Our pub disposal programme continues apace, successfully selling poorer quality and potentially unviable pubs which do not fit the future profile of our business. We have so far this year completed the sale of 402 pubs, generating proceeds of £124 million. A further 102 pubs have already exchanged contracts or are in the hands of solicitors for completion this year, raising an additional £29 million. These sales continue to achieve proceeds significantly ahead of book value.

In addition, and in line with our objective of reducing the overall level of bank debt in the business, we continue to take advantage of the robust property investment market in London through our sale and leaseback programme. To date, we have exchanged contracts or completed the sale of 69 pubs, generating proceeds of £110 million, achieving a substantial profit over book value and an average yield of 6.4%. Whilst there are no further auctions before the end of our financial year, we are in direct negotiation with a number of parties and expect to complete a few more sale and leaseback transactions before the year end.

As we continually seek to improve the overall quality of the pub estate, whilst at the same time reducing bank borrowings, we would expect to continue with both the disposal of unviable pubs and the sale and leaseback programme at a similar level during the next financial year.

Business evolution

In line with the recommendations of the Business Innovation and Skills Select Committee, we have reviewed the structure of our leases and tenancies and made a number of enhancements to our Code of Practice, which has received full accreditation from the British Institute of Innkeeping Benchmarking Accreditation Service.

We are now in the process of launching our new suite of agreements, offering licensees greater flexibility in the terms of the agreement that they might choose, including increased levels of discounts on beer and the option to be free-of-tie for wines, spirits and minerals, bottled beers and ciders, locally produced cask ales and gaming machines. Whilst these options will be reflected in the level of fixed rental charges levied by Enterprise Inns, this flexibility will give licensees greater choice in developing a business model which most closely aligns with their particular business plan and has been well received across the industry.

Enquiries

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