Enterprise Inns plc

31st March 2009

Enterprise Inns plc (ETI), which will be announcing its interim results for the half year ending 31st March 2009 on 12th May 2009, provides an update on trading.

Current trading

There has been no material change in the performance of the ETI business since publication of the Interim Management Statement on 22nd January 2009. Trading in January was relatively strong, February was hit by two weeks of bad weather and was one day shorter than last year and March has been steady, although on a like for like basis will be somewhat below the same period last year, which included the positive trading impact of the Easter holiday.

Without doubt, the pub industry is facing trading conditions of unprecedented challenge. Against this background, it is the quality of the ETI estate, the inherent fairness of our business model and the expertise of the majority of our licensees that underpins our performance. Having grown through the acquisition of the best of the former Whitbread, Grand Met and Courage tenanted estates, whilst at the same time aggressively disposing of underperforming outlets, we face this recession with a top quality pub estate. Despite very difficult trading conditions in the first half, the majority of our pubs continue to trade remarkably well. However, we recognise that some licensees, despite their best efforts, are struggling in the current circumstances and we continue to provide financial support of some £1.4 million per month through special price discounts and rent concessions where appropriate.

Pub estate

We own the freehold of 98% of our pubs, have just 183 short leaseholds and pay annual leasehold rent of just £2.6m. The pub estate is revalued annually and at 30th September 2008 the overall valuation of £5.9 billion was broadly unchanged on the previous year. This valuation took due account of the £68 million which had been invested in the estate during 2008 and reflected flat or increased values across two thirds of the pubs, offset by an average decline of 14% across the remaining 2500 pubs. Indeed, some 1100 pubs, representing 12% of the estate by value, were written down by an average of 29%. Recent informal discussions with our independent valuers suggest that whilst values remain robust for good quality assets, prices for poor quality or potentially unviable pubs remain weak. It is therefore very reassuring that, during the first half of the year, we have completed the sale of some 150 pubs for a gross consideration of £44 million, slightly ahead of book value.

Financing

ETI has a flexible financing structure comprising securitised bonds, corporate bonds and bank syndicated debt. There have been some ratings downgrades across the industry recently, affecting both the securitised bonds and the corporate bonds. None of the downgrades affecting ETI has implications for the ETI business in terms of covenants or costs to the business. The £1.6 billion securitised bonds amortise over 23 years and attract a fixed rate of interest of approximately 6.5% until final maturity. ETI is currently £85 million ahead of the amortisation schedule. The £1.2 billion corporate bonds are non-amortising and attract a fixed rate of interest of approximately 6.5%. The next scheduled maturities are £60 million in February 2014 and £600 million in March 2018. The bank syndicated facility of £1 billion attracts interest at 80 basis points over LIBOR and is due for renewal in May 2011. We are confident that adequate banking facilities will be available at the appropriate time and, in the meantime, we have in place a sensible plan for debt reduction over the next two years and will continue to review all available options in the debt markets.

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