

Enterprise Inns plc

Pre close statement

Enterprise Inns plc (ETI), which will be announcing its preliminary results for the year ending 30th September 2009 on 17th November 2009, provides an update on trading.

Trading performance

There has been no material change in the trading performance of the ETI business since the Interim Management Statement published on 16th July 2009. The core estate continues to demonstrate resilience in challenging trading conditions although overall profitability remains affected by the ongoing costs of discretionary financial support given to struggling licensees, business failures and temporary management agreements.

It is however encouraging that, thanks to our successful programme of disposing of less viable pubs, together with some stabilisation in beer volumes, reports of improving food sales and an abatement of cost pressures on licensees, we are beginning to see the rate of business failures slowing and the requirements for financial support under our Business Recovery Initiative reducing. The number of closed pubs (excluding pubs closed pending disposal) currently stands at just 90.

Pub estate

We own the freehold of 98% of our pubs, have just 181 short leaseholds and pay an annual leasehold rent of just £2.6 million. The pub estate is independently valued annually at 30 September and we expect there to be small reduction in overall values, continuing the trend of the interim revaluation reported at 31 March 2009. We are encouraged that many valuers are saying that pub values may now be stabilising and that demand for good quality assets is increasing.

During the year, we have successfully disposed of 365 pubs, all but a handful being poorer quality outlets which we do not consider to have a viable future in the ETI estate. In the year to September 2008, net income from these pubs amounted to £9 million and net proceeds of £103 million, after taking account of all costs of closure and disposal, are in line with book value. We expect to continue this disposal programme throughout the coming year.

Financing

ETI has a flexible financing structure comprising securitised bonds, corporate bonds and bank syndicated debt. The £1.6 billion securitised bonds amortise over 22 years and attract a fixed rate of interest of approximately 6.5% until final maturity. ETI is currently £64 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 currently pays interest at 80 basis points over LIBOR and is due for renewal in May 2011. We have maintained an ongoing dialogue with our advisers and the members of our banking syndicate and remain confident that adequate debt facilities will be available at the time of our refinancing, which we expect to take place before the end of the next financial year.

Regulatory issues

In May this year, the Business and Enterprise Select Committee (BEC) published a report on pub companies to which we have responded in detail. Our response to this report made clear that we considered many of its conclusions ill-informed and based upon hearsay rather than evidence.

At the same time, we wrote to the Secretary of State setting out a thirteen-point plan which specified key commitments which we considered would clarify and improve the relationship

between pub companies and their licensees. We have made good progress implementing this plan and have worked with others in the industry to ensure that real and effective action has a positive impact at the earliest possible time.

On 23 July 2009, the Campaign for Real Ale (CAMRA) issued a super-complaint to the Office of Fair Trading (OFT), referring to the conclusions of the BEC report and expressing various concerns including, among other things that the existence of the beer tie operated for many years across the brewing and pubs industry, was harmful to consumers.

We have cooperated fully with the OFT investigation, providing evidence-based answers to the various questions that were raised. We understand that the OFT will be in a position to respond to the CAMRA super-complaint towards the end of October 2009.

Enquiries:

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A conference call for analysts and investors will commence promptly at 9.30am BST.

Interested parties can dial into the conference facility on the number that relates to their country.

UK Participants	0800 358 1449
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Recorded playback will be available until Friday 2nd October 2009.

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