

Preliminary
Results
2007





**David Thompson
Chairman**



Highlights

1. Strong full-year results in a challenging environment

- good organic growth
- effective integration of acquisitions

2. Continued increase in quality of estate

- acquisitions – Sovereign Inns, Eldridge Pope, Ringwood Brewery
- organic investment
- disposals – 279 tenanted pubs sold 10 May 2007

3. Increased cash return to shareholders

- dividend +20% to 12.83 pence per share
- share buy-back £120m out of planned £150m

4. Efficient financing structure

- £330m tap issue of securitisation on competitive terms
- increased financial and operational flexibility

we are confident in the Group's future growth prospects

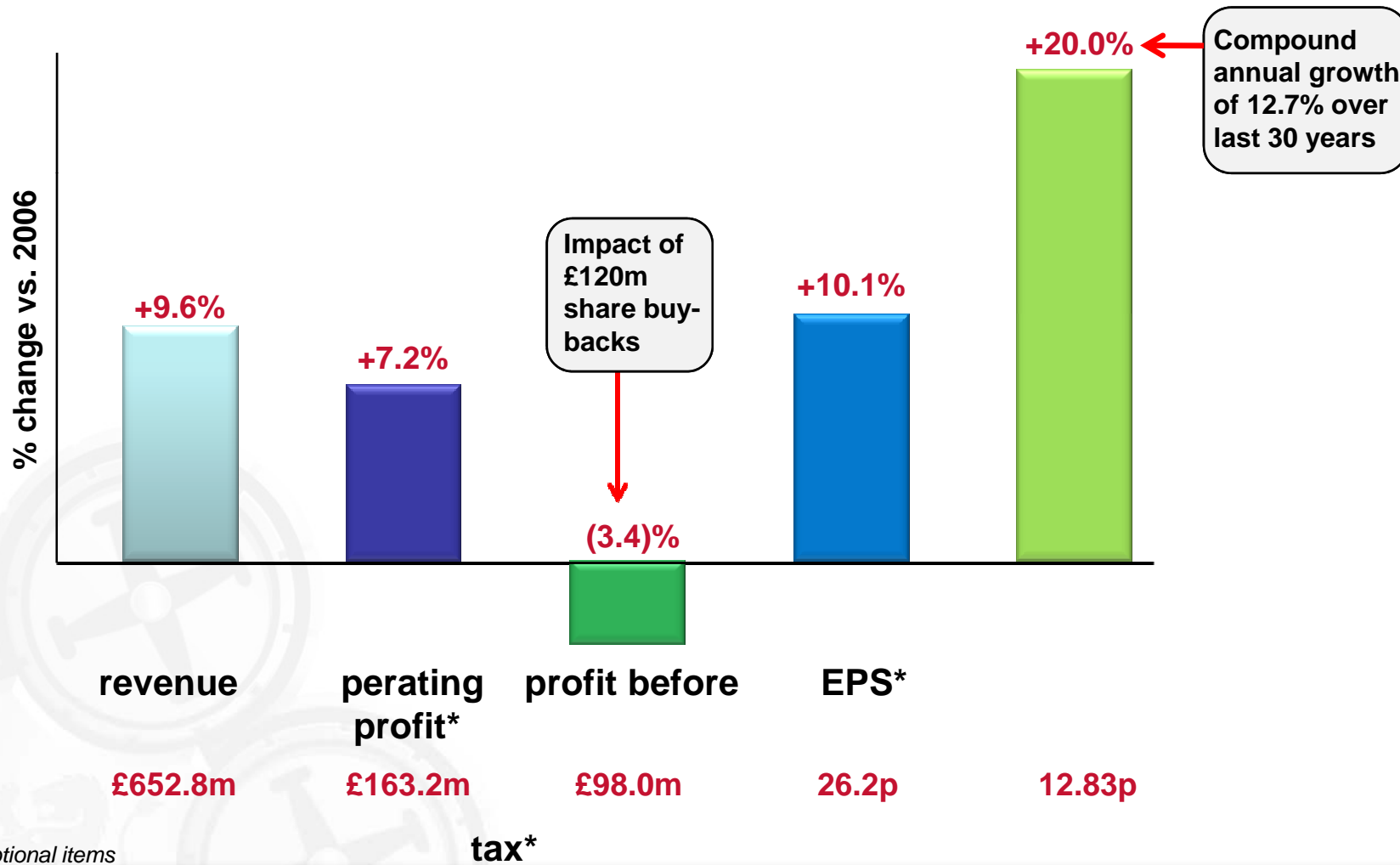




Paul Inglett
Finance Director



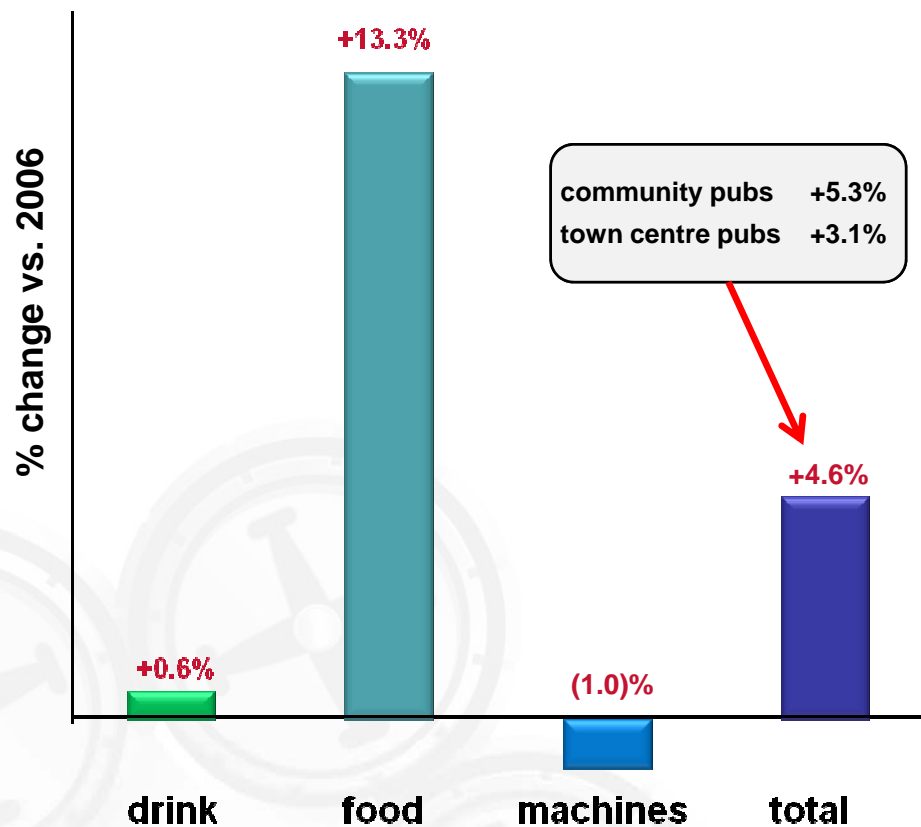
Financial highlights



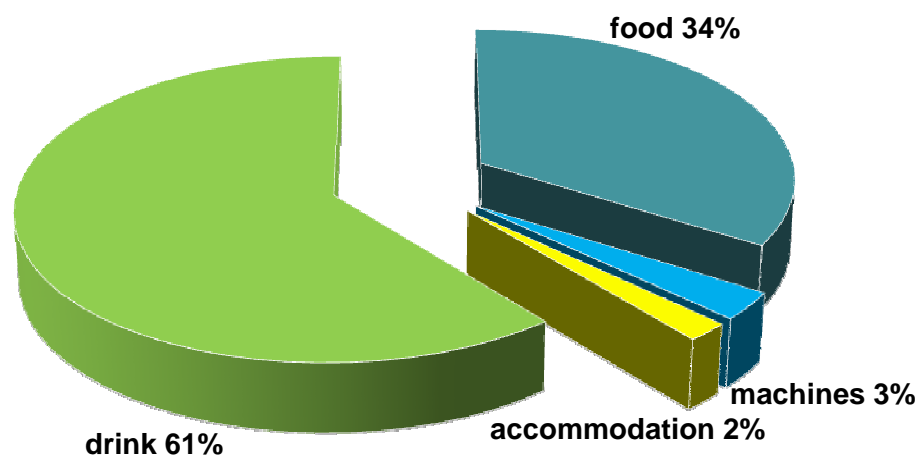
continued double digit growth in EPS and dividends



Like-for-like sales growth*



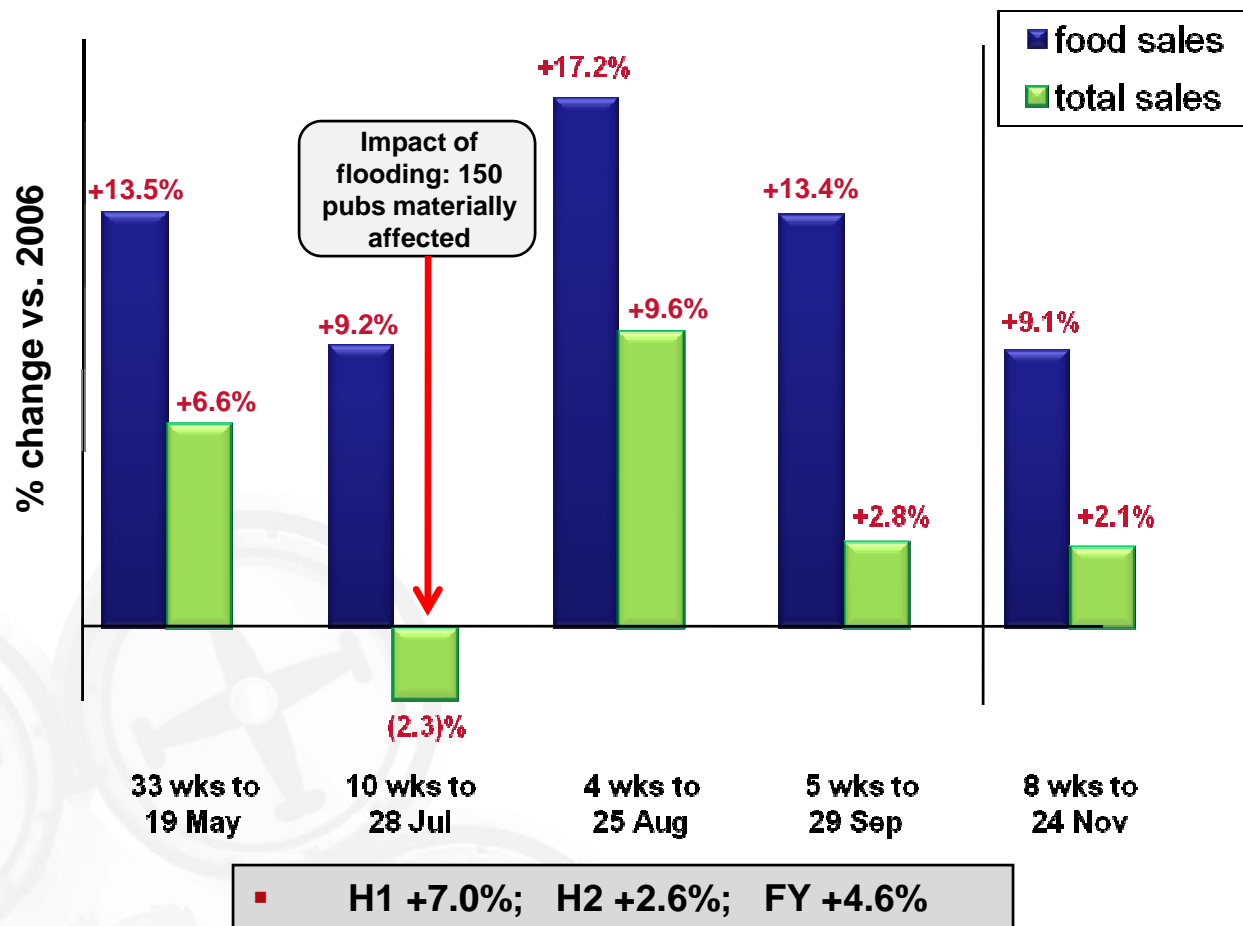
Turnover mix



*excluding Eldridge Pope and any pubs acquired in last 2 years

food continues to be key driver of growth

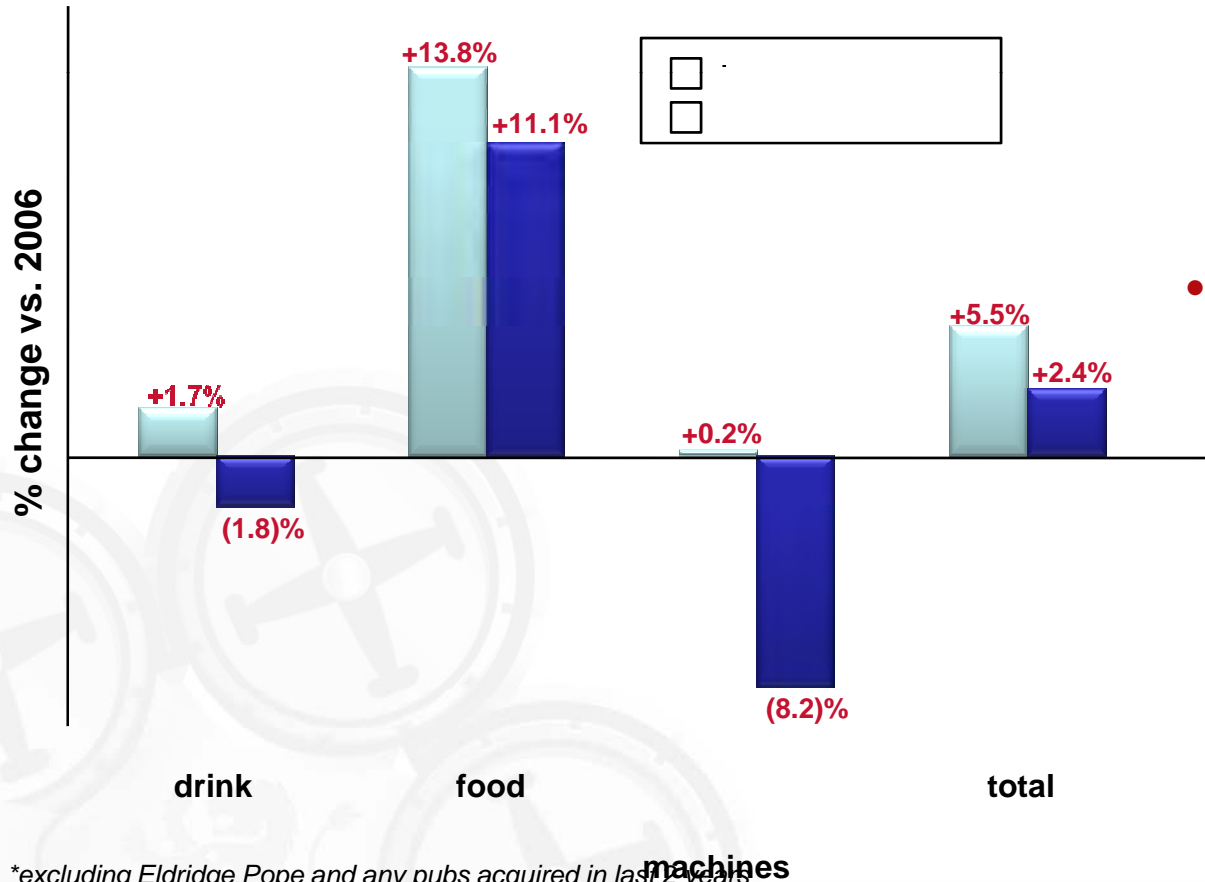
Like-for-like sales* (2)



*excluding Eldridge Pope and any pubs acquired in last 2 years

LFL's remain positive, strong growth in food sales

Like-for-like sales growth*: pre smoking ban vs. post smoking ban



- continuation of trends will impact margins
 - **gross margins:**
 - drink 73%
 - food 67%
 - machines 80%
 - **wage costs:** extra c.3% of sales to serve food vs. drink
- impact of winter needs to be seen before full assessment made.

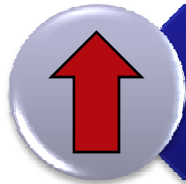


*excluding Eldridge Pope and any pubs acquired in last 2 years

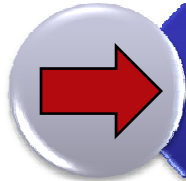
smoking ban has accelerated existing sales trends

Influences on margins

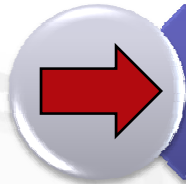
2007



LFL sales growth +4.6%



Average selling prices* flat

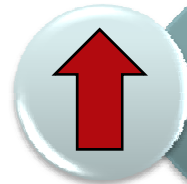


Gross margin % flat

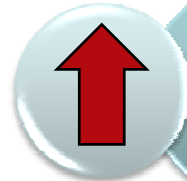


Volume growth 4.6%

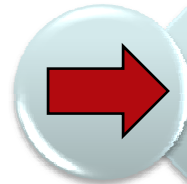
2008



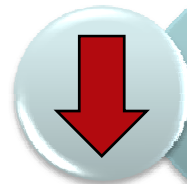
Benefits of renegotiation of
lager contracts



Energy costs fixed at lower
rates



NMW increase of 3.2%



Food cost inflation

* drink and food

focus remains on growing like-for-like cash margin



Asset valuations

		Securitised estate	Other pubs	<u>Total</u>
No. of pubs		1,911	87	1,998
Net revaluation gain¹	£m	147	15	162
Average increase	%	12%	10%	12%
Lotting premium²	£m	304		
	%	22%		

- c.90% of pubs valued during the year
- average gain of 12% in 2 years since majority of estate last revalued
- accounts valuations exclude any lotting premium

¹ before provision of associated deferred tax

² based on valuation by Christie + Co of securitised estate

revaluation gain demonstrates benefit of freehold ownership





Balance sheet

	2007	2006	
	<u>£m</u>	<u>£m</u>	
Fixed assets*	1,942	1,610	• impact of acquisitions, benefit of £162m revaluation gain
Goodwill & investments	252	177	
Net debt	(1,189)	(894)	• impact of acquisitions and share buy-backs
Deferred tax	(155)	(114)	
Net other liabilities	(101)	(126)	
Net assets	<u>749</u>	<u>653</u>	• +ve revaluation gains • -ve share buy-backs of £120m in last 12 months

* includes assets held for sale

98% of pubs by value freehold or long leasehold





Tap of securitisation⁽¹⁾

	<u>No. of pubs</u>	<u>Debt £m</u>	<u>EBITDA¹ £m</u>
2005 securitisation	1,474	783	122
Tap issue	437	330	25
Enlarged securitisation	<u>1,911</u>	<u>1,113</u>	<u>147</u>

- tap issue is a combination of value and asset tap
- average cost of debt of tap issue is 6.03%

¹ proforma run-rate EBITDA as at 30 June 2007



significant additional debt capacity created at low cost





Tap of securitisation⁽²⁾

	<u>No. of pubs</u>	<u>Debt¹ £m</u>	<u>EBITDA² £m</u>	<u>Debt multiple</u>
Managed	286	322	51	6.3x
Tenanted	1,625	791	96	8.2x
Enlarged securitisation	<u>1,911</u>	<u>1,113</u>	<u>147</u>	<u>7.6x</u>

- achieved most efficient leveraged tenanted securitisation in the market
- 361 pubs still outside securitisation
- operational covenants of securitisation re-set to zero

¹ allocated debt amount as per Fitch ratings report

² pro-forma run-rate EBITDA as at 30 June 2007

provides increased financial and operational flexibility



1. Financing ratios

	12 months to <u>Sept 2007</u>	<u>Target</u>
• interest cover	2.5x	2.25x – 2.75x
• net debt : EBITDA	5.8x	5.25x – 6.00x



2. Balance sheet efficiency

- committed to £150m of share buy-backs this calendar year
- increased full year dividend by 20%
- average cost of funds for Group of c.6.1%*; all at fixed rates
- £250m of available bank facilities*

* following tap issue of securitisation announced on 19 November 2007

aim to maintain efficient balance sheet

1. Good progress in key financial measures

- continued double digit earnings growth
- 20% increase in full year dividend

2. Improved balance sheet efficiency

- £120m share buy-backs, further £30m to follow
- opportunity to gear up business further
- net revaluation gain of £162m

3. Financing structure

- successful completion of £330m securitisation tap
- more efficient financing structure
- no refinancing risk or exposure to volatile credit markets
- enhanced operational and financial flexibility



strong balance sheet and efficient financing structure

The background image shows a close-up of a Marston logo. At the top, there are three stylized wheels or gears arranged in a triangular pattern. Below them is a dark rectangular sign with the word 'MARSTON' in large, gold, block letters. The sign is mounted on a light-colored wall. The overall image is slightly blurred and has a warm, yellowish tint.

Ralph Findlay
Chief Executive



Operational and financial elements of strategy

1. **Develop national, high quality pub estate**
2. **Develop greater food skills, broaden consumer appeal**
3. **Recruit skilled tenants and lessees**
4. **Increase distribution of our ale brands**
5. **Create greater value through vertical integration**
6. **Match freehold assets with long term fixed rate debt**

key strategic objective – to create shareholder value



Acquisitions have extended our trading geography

Jennings 2005
128 pubs
tenanted and brewing
£73m

Burtonwood 2005
460 pubs
tenanted and managed
£168m

Celtic Inns 2006
63 pubs
tenanted and managed
£43m

Wizard Inns 2004
63 pubs
managed
£91m

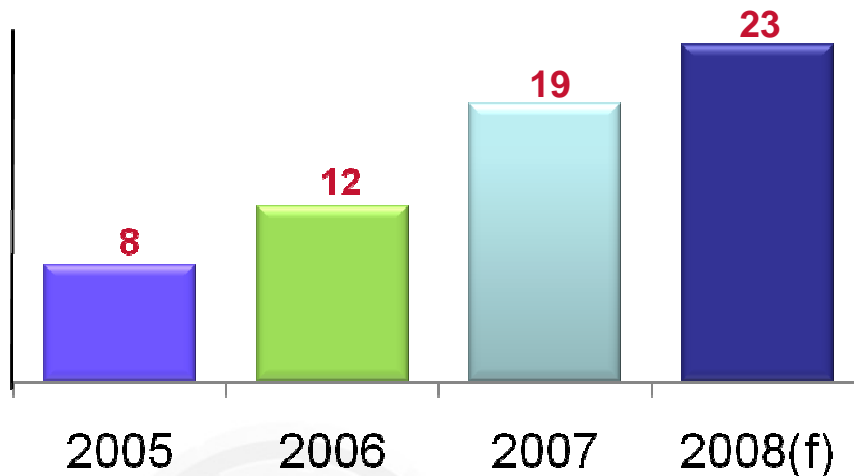
Eldridge Pope 2007
153 pubs
managed and tenanted
£156m

Ringwood Brewery 2007
7 pubs
brewing and tenanted
£18m



primary focus: estate quality, geographical representation

Pub openings



Foxglove, Mansfield

- **2008 openings include:** London, Birmingham, Ludlow, Ipswich, Sittingbourne, Brynmawr, Ashford, Chester
- **average investment c.£2m:** EBITDA returns 15%+
- **investment focus:** food, families, females, fortysomethings, premium high street
- **principally freehold:** modern design, energy efficient

average turnover per week c.£20k



Estate management contributes to improving quality

1. Transfer of managed pubs to tenancy

- 19 in 2007; 93 in 2006
- turnover threshold for managed pubs has steadily increased
- facilitates reduction in overheads, provides operational flexibility
- well understood process – c.600 pubs transferred since 1999

2. Disposals

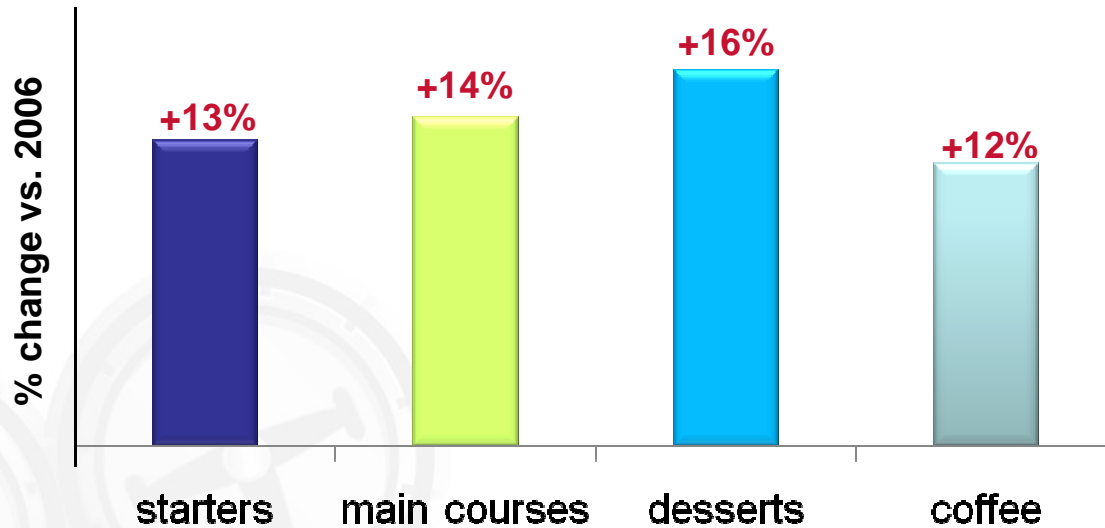
- 279 tenanted pubs sold to aAim Group for £82.5m in May 2007
 - typically smaller pubs in weaker trading areas
 - average EBITDA of pubs sold £27k (exit multiple 11.0x EBITDA)
- 33 other pubs sold individually
 - proceeds £19.5m
 - mainly leasehold sites or HAUV opportunities

active estate management creates value



More people eat out in pubs

1. **Food sales are 34% of total retail sales**
 - up from 27% in 2003
2. **Strong growth in like-for-like food sales**

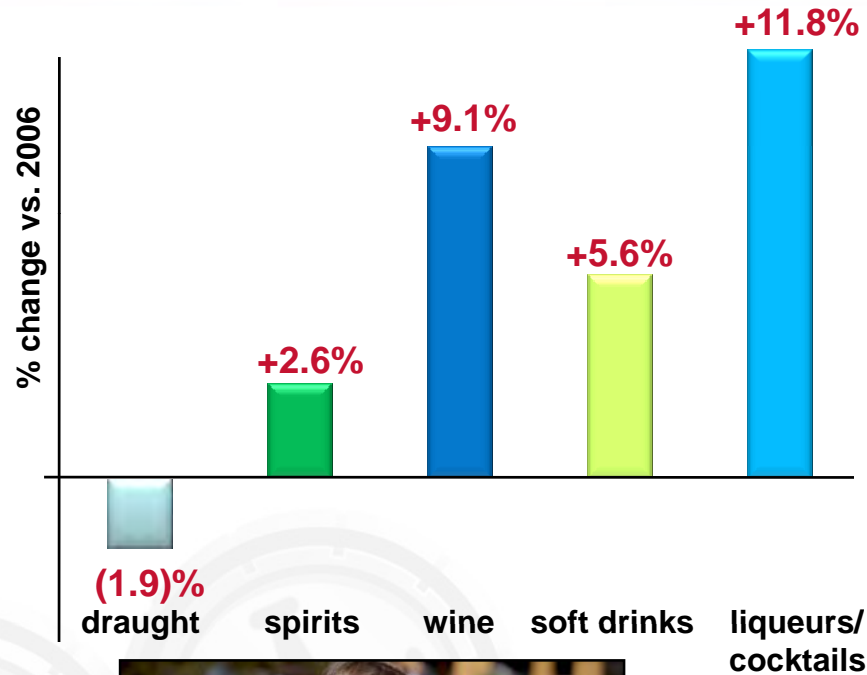


- opportunity to 'upsell' wider range
 - main courses are 80% of total food sales



driven by format and menu development

Strong growth in food related sales



- wine volume +8.5%
- top selling wines: £8 - £12 per bottle*
 - Hardy's VR Chardonnay
 - Canaletto Pinot Grigio
 - Sutter Home White Zinfandel



* average achieved retail selling prices

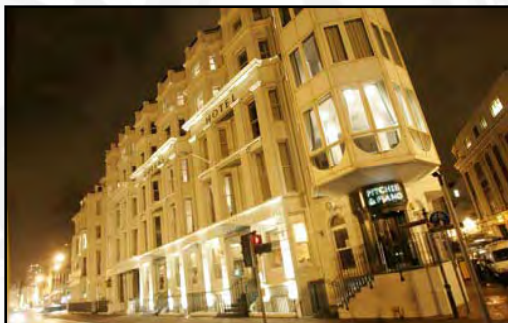
total food related sales estimated to be c.65% of retail sales



Blue Bell, Rotherham (Tavern Table)



The Lawns, Yate (Taverner's Carvery)



Pitcher & Piano, Brighton



1. Community

- Marston's Tavern Table
- Marston's Two for One
- Marston's Taverner's Carvery

Food sales mix	Spend per head £
50 – 60%	4.50 – 7.00
15 – 30%	6.00 – 10.00

2. High Street

- Pitcher & Piano
- Que Pasa
- Bluu

quality, variety and value – in a pub environment

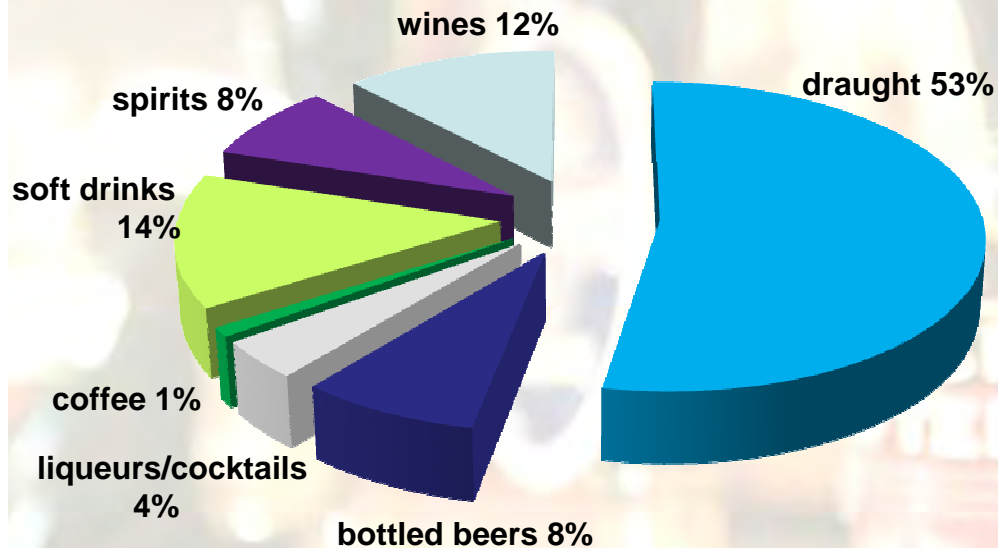
New sites have a greater food focus



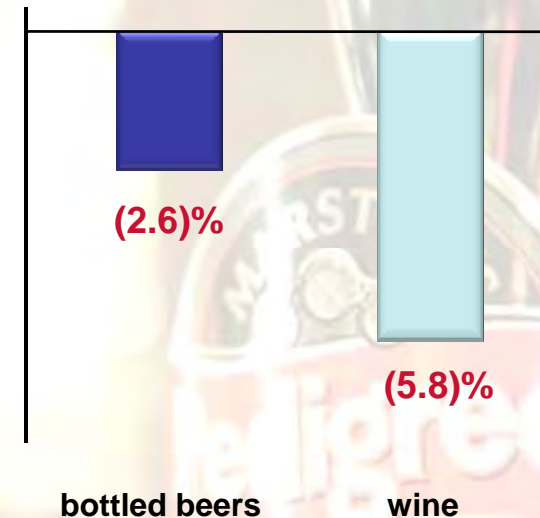
2010 food sales forecast to be c.40% of retail sales

Drink sales – value drivers

Total drink sales £225m*



Gross margin vs. draught beers



* 12 months to September 2007

draught beer portfolio is key to margin management

- 1. Longer term lease agreements more attractive to licensees**
 - average lease premium on assignment in 2007: £74,000
- 2. High level of disclosure of information to licensees**
 - Marston's Pub Company agreements are BII accredited
 - 'plain English' agreements
- 3. Key features of agreements/operations**
 - no upward-only increases at rent review
 - 3 months' 'cooling off' period for tenants
 - open book accounting
 - significant tenant support package
- 4. Business Development Manager/licensee relationship is important**
 - 50 pubs per BDM helps communication
 - all BDMs trained using BII 'Profitable Business Portfolio'



'Sustainable Growth, Uncompromising Standards'

- 1. Exploiting changing consumer trends**
 - less reliance on wet sales, more exposure to growth
- 2. Demanding excellence from ourselves and our retailers**
 - investment in training; use of technology
- 3. Helping our retailers to maximise their turnover**
 - support and development package
- 4. Considering long term options ahead of the short term**
 - taking time to place tenants appropriately
- 5. Operating with **F**airness, **I**ntegrity, **T**ransparency**
 - '**FIT**' is adopted throughout Marston's PLC
 - '**FIT**' sets a high standard of responsible behaviour

estate quality underpins our approach to licensees

1. **Average annual rent review increases of c.3%**
2. **Bad debts 0.2% of turnover (2006: 0.3%)**
3. **70% of tenants receive discounts**
4. **0.4% closed pubs (2006: 0.2%)**
5. **Rent concessions 1.2% of rent roll (2006: 0.6%)**
 - one-off impact of flooding
6. **% customers on cash with order: 20% down vs. last year**
 - benefitting from churn of estate improving quality
 - move to weekly direct debits
7. **Average lease assignment premium of £74k (2006: £82k)**



challenging environment, but no material changes



More support, more training, better systems

1st 'pubco' website rated by the 'Plain English Campaign'





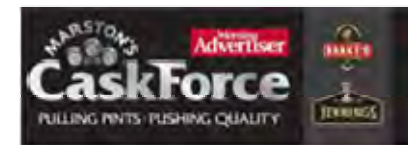
- differentiated
- more 'niche' orientated
- Marston's Pedigree +6%
- Jennings Cumberland Ale +30%
- Ringwood Brewery



- extending geographical distribution
- Eldridge Pope
- Ringwood Brewery
- improved lager portfolio



- Cask Force: 2,500 entrants in 2007
- beer quality technicians
- 'Uncompromising'



emphasis on premium products, high level of service



Supported by consistent marketing



£5m marketing investment



- Official Beer of England Cricket
- Sky coverage of Cricket World Cup
- Sky coverage of Twenty20 in South Africa
- 8 county teams



- Banks's Stadium Walsall FC
- local radio
- local music ('Battle of the Bands')



- 'Genuine Taste of the Lake District'
- Keswick Jazz Festival
- The Lowther Show
- 'World's Biggest Liar' competition
- NEC Outdoor Show

core brand volume performance +6% in 2007





Vertical integration - an efficient business model

1. Greater operating flexibility

- managed to tenanted transfers

2. Greater control over cost base

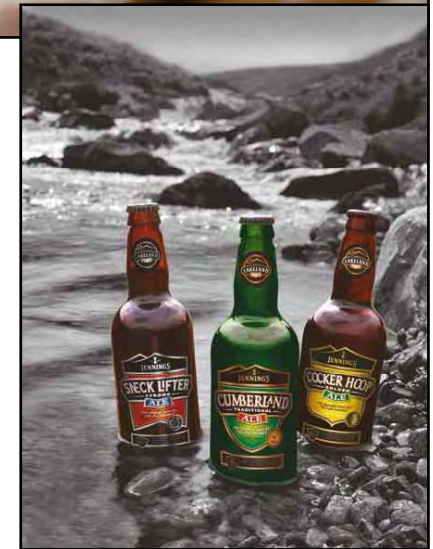
- brew own ales and control supply chain
- enables more flexible customer service

3. Economies of scale

- Marston's Beer Company distributes to over 4,000 pubs

4. Greater value can be generated from acquisitions

- increased distribution of our own beer brands
- greater capacity for integrating brewing/pub businesses
- ability to develop all parts of brewing/pub business



our business model provides greater opportunity and flexibility





Freehold ownership confers clear benefits

- 1. 98% of estate by value is freehold or long leasehold**
 - freehold ownership provides greater operational flexibility
 - provides potential for capital appreciation over the long term
- 2. Pub estate provides relatively stable, predictable cash flow**
 - supports long term secured debt at low cost
 - 1,911 pubs in securitisation structure post tap issue
 - all in cost of debt 6.1%
- 3. Business is strongly cash generative**
 - target range for interest cover 2.25 – 2.75 times
 - maintained through balance of acquisitions/share buy-backs over time
- 4. Continue to review developments in property financing**
 - REITs and OpCo/PropCo structures not currently compelling

current financing provides operational and financial flexibility



1. Good results in a challenging environment

- 10.1% growth in underlying earnings per share
- recent refinancing increases operating and financial flexibility

2. Substantial cash returns to shareholders

- £120m share buy-back this year
- dividend per share +20%

3. Clear operational and financial strategies

4. Current trading*

- like-for-like sales growth in Marston's Inns and Taverns +2.1%
- Marston's Pub Company, Marston's Beer Company trading satisfactorily
- cautious outlook – smoking ban, consumer confidence
- value for money positioning appropriate for current economic climate



* 8 weeks to 24 November 2007

each trading division has made good progress



Appendices





Financial highlights*

INNS AND TAVERNS

		<u>2007</u>	<u>2006</u>	<u>% change</u>
Revenue	£m	367.8	330.7	+ 11.2%
EBITDA	£m	88.8	83.4	+ 6.5%
Operating profit	£m	66.7	63.5	+ 5.0%
Operating margin	%	18.1	19.2	(1.1)%
Average no. of pubs		520	536	

*before exceptional items





Financial highlights*

PUB COMPANY		<u>2007</u>	<u>2006</u>	<u>% change</u>
Revenue	£m	200.9	178.8	+12.4%
EBITDA	£m	100.6	89.8	+12.0%
Operating profit	£m	90.8	80.3	+13.1%
Operating margin	%	45.2	44.9	+ 0.3%
Average no. of pubs		1,810	1,767	

*before exceptional items





Financial highlights*

BEER COMPANY		<u>2007</u>	<u>2006</u>	<u>% change</u>
Revenue	£m	84.1	86.0	(2.2)%
EBITDA	£m	25.3	25.0	+1.2%
Operating profit	£m	17.4	18.0	(3.3)%
Operating margin	%	20.7	20.9	(0.2)%




* before exceptional items

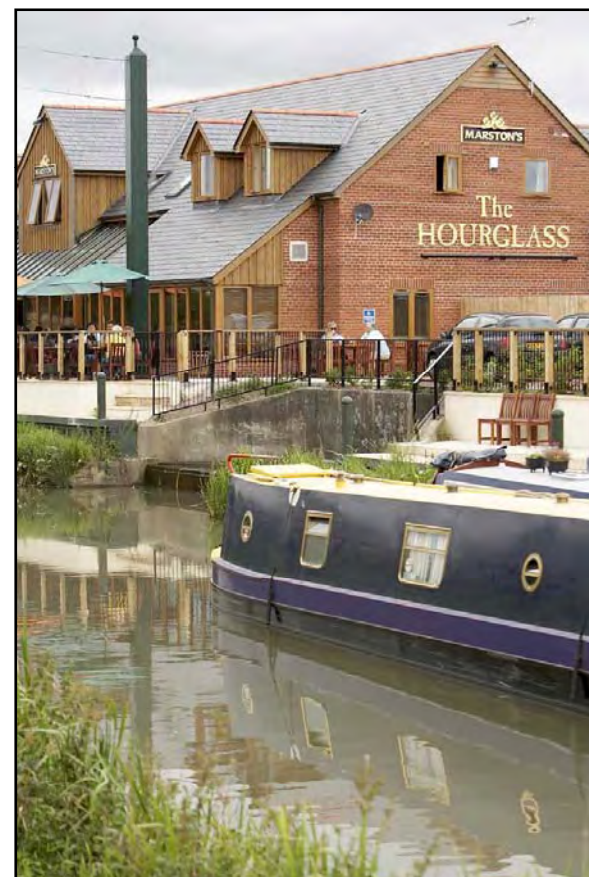




Estate movement

Pub numbers

			
September 2006	459	1,893	2,352
Corporate acquisitions*	113	80	193
New builds/single site acquisitions	19	20	39
M to T transfers	(19)	19	-
Disposals	(22)	(290)	(312)
September 2007	550	1,722	2,272



* Eldridge Pope, Sovereign Inns, Ringwood Brewery





Additional information and guidance

- Average number of shares in 2007 295.2m
- Number of shares in issue as at 29 Sep 2007 278.6m
- Additional dilutive number of shares 2.5m
- **Forecast
2008**
- Forecast tax rate 25% - 27%
- Capex forecast : Existing business £65m
: New builds/sites £50m
: Pub acquisitions £20m
£135m
- Forecast disposal proceeds £20m+



Preliminary Results 2007



Est 1834

MARSTON'S

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