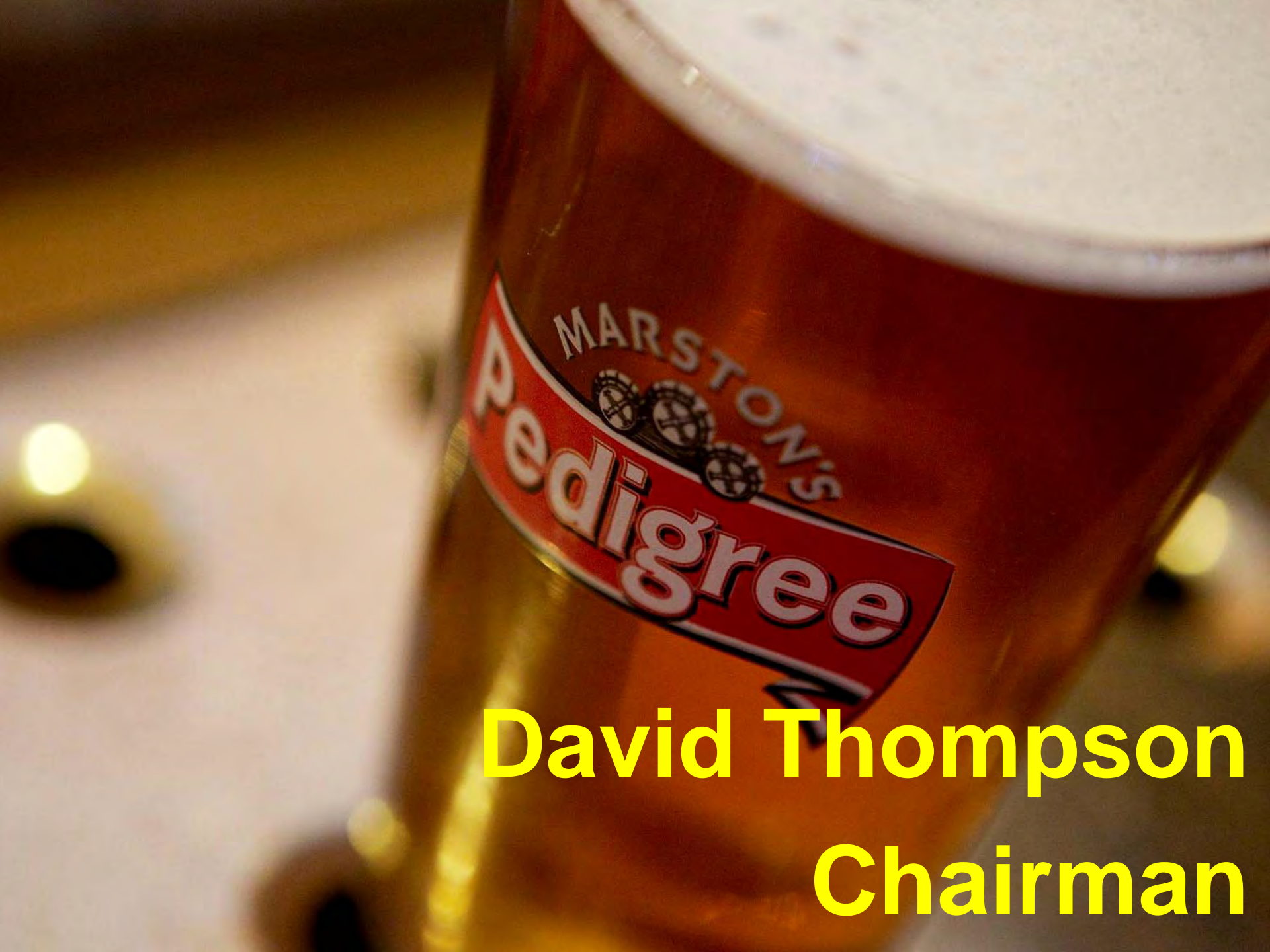


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MARSTON'S

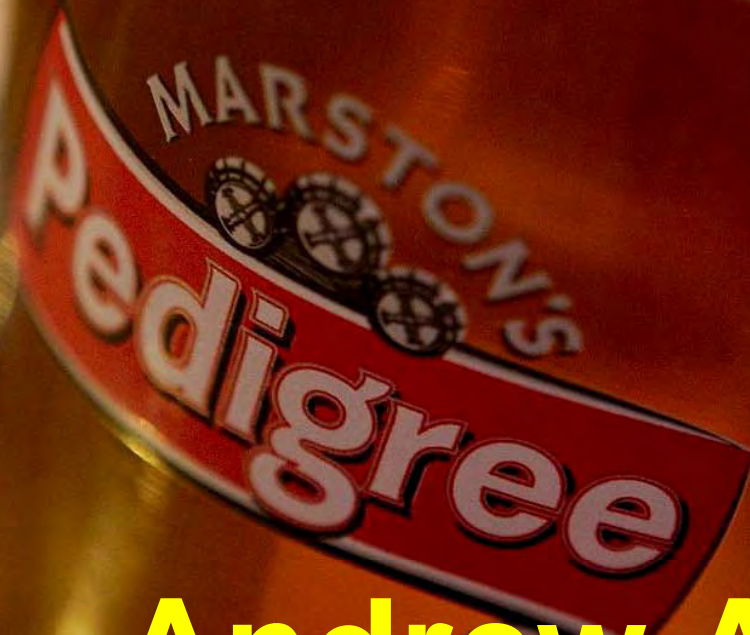
Preliminary
Results
2009



David Thompson
Chairman

- 1. Rights issue raised net proceeds of £165.6m**
 - strengthened balance sheet, improved leverage ratios
- 2. Clear plans and timescales to invest rights issue proceeds**
 - 60 large new-build food-led managed pubs over 3 years
 - on track to open 15 in 2010
- 3. Improving trends: H2 revenue broadly flat, operating profit (2.0)%**
 - managed pubs: stronger like-for-like sales growth, margin up in H2
 - tenanted pubs: outperforming a weak market
 - brewing: increased market share; revenue and profit growth
- 4. Dividend of 3.7p per share payable 2 February 2010**

strong business with clear development plans



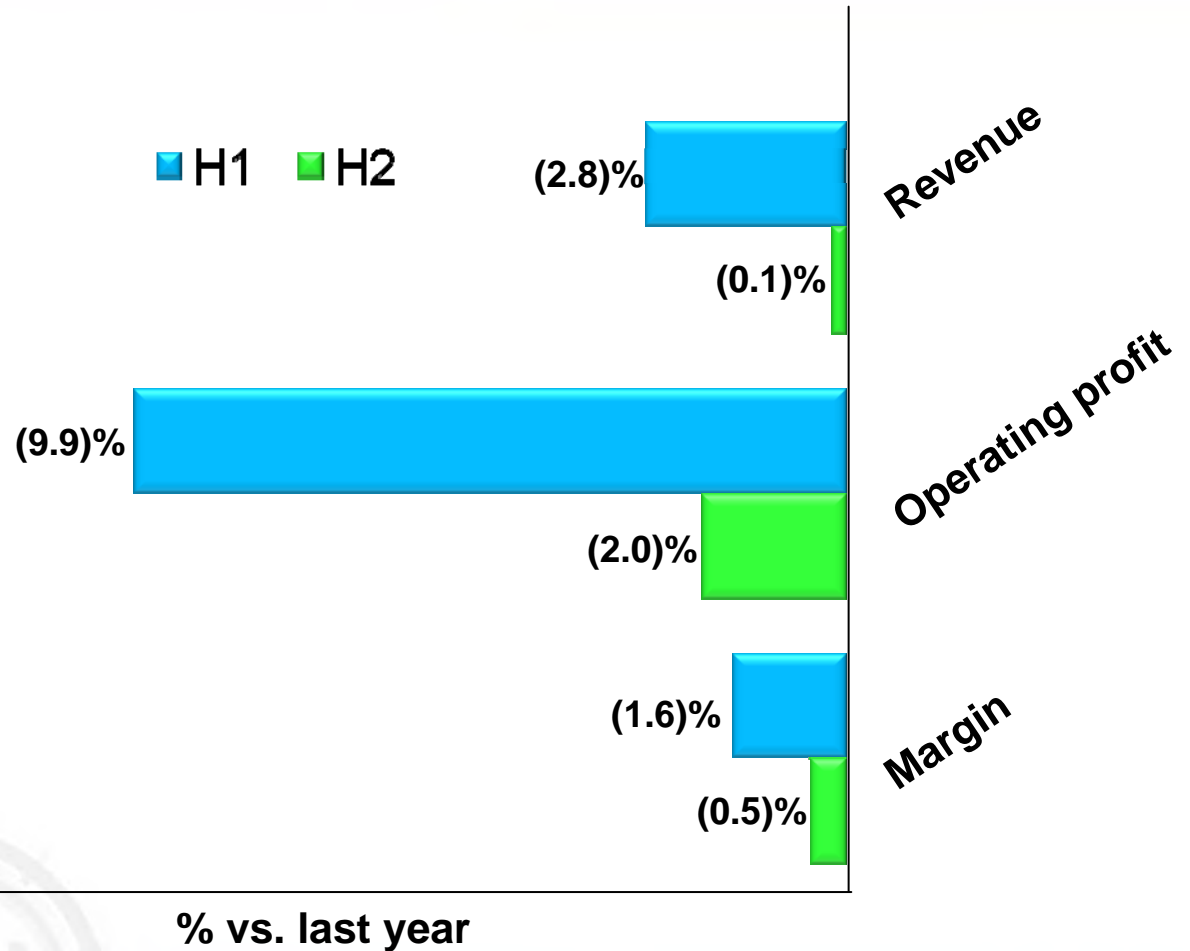
**Andrew Andrea
Finance Director**

52 weeks	2009	2008	% change
Revenue*	£645.1m	£654.4m	(1.4)%
EBITDA* ¹	£191.8m	£199.3m	(3.8)%
Operating margin* ¹	22.8%	23.9%	(1.1)%
Operating profit* ¹	£147.4m	£156.3m	(5.7)%
Profit before tax* ¹	£70.3m	£81.3m	(13.5)%
Adjusted EPS ¹	13.4p	18.3p	(26.8)%
Dividend	7.14p	9.52p	(25.0)%

*2008 restated to 52 weeks for comparative purposes.

¹before exceptional items

resilient performance in a challenging trading climate



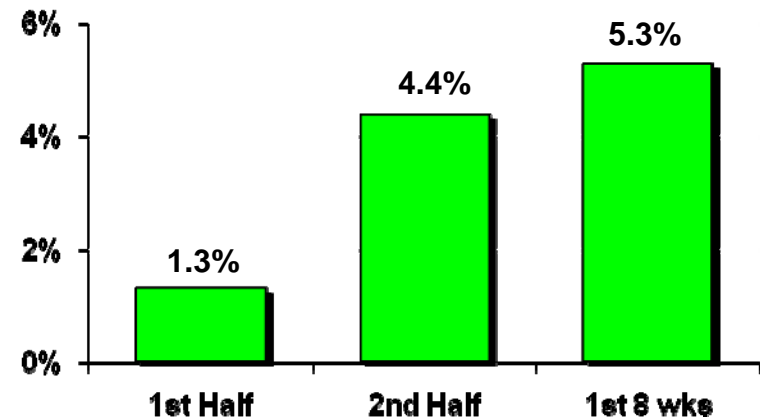
stronger second half performance on all 3 metrics

**Like-for-like sales*
for the year ended 3 Oct** **% change**

drink	(2.4)%
food	+2.8 %
accommodation	+1.3 %
machines	(7.3)%
TOTAL	(0.6)%

*excludes any pubs acquired in last 2 years

Like-for-like Food Sales

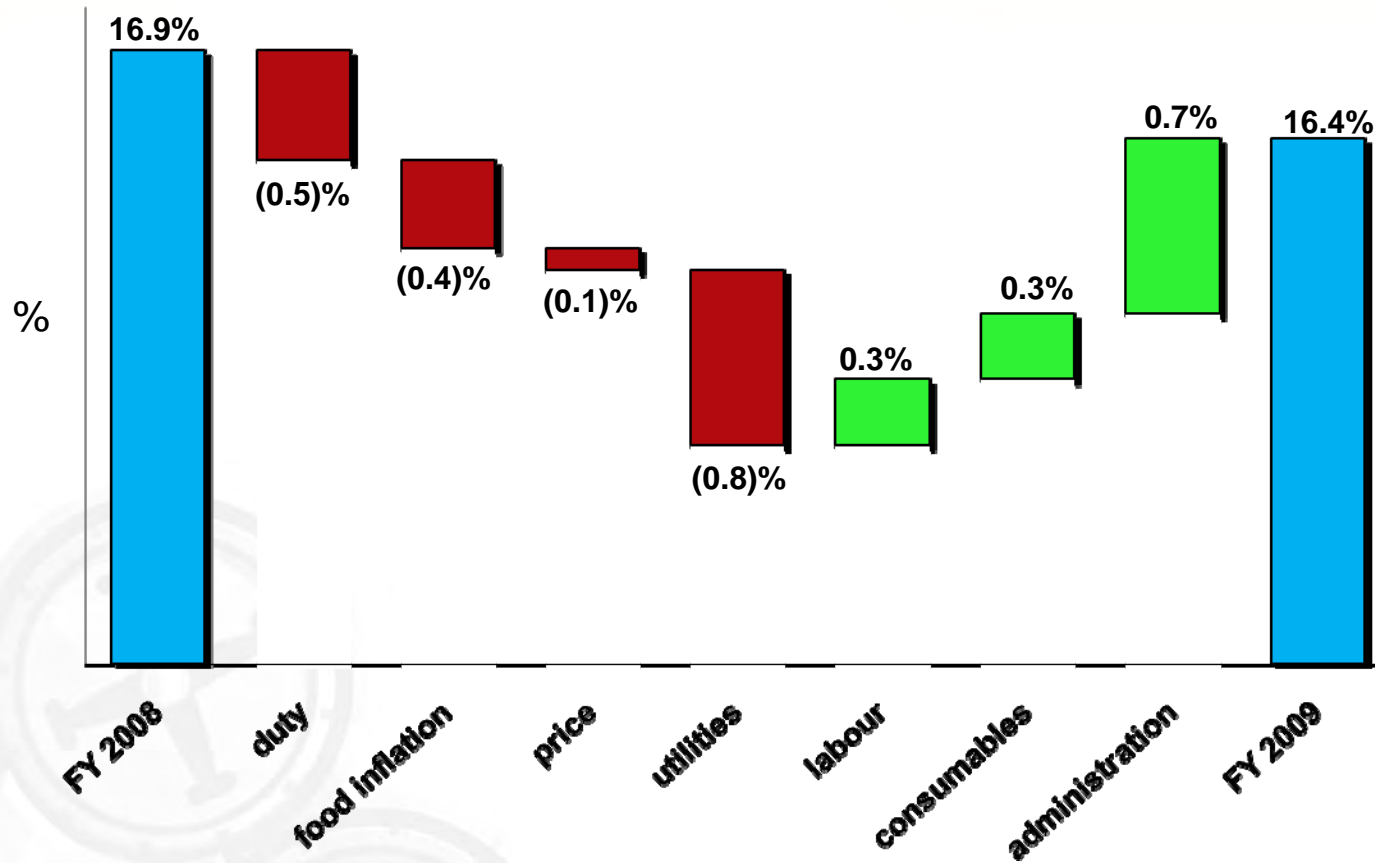


**Like-for-like sales
for 8 weeks to 28 Nov** **% change**

drink	+1.6%
food	+5.3%
TOTAL	+3.1%

sustained food sales growth, wet sales improving

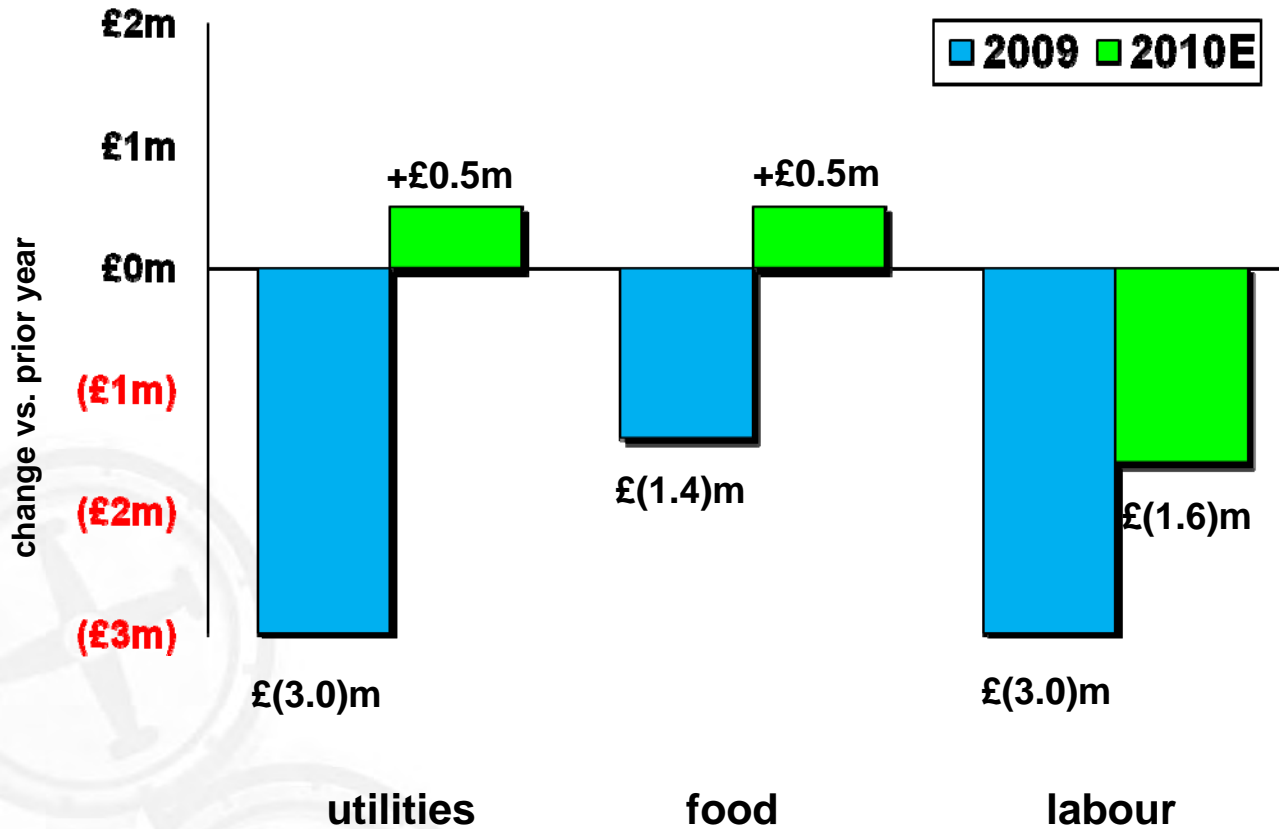
Retail margin performance



H2 margins ↑ 0.3% to 18.6%






improving margin performance, stronger in H2

Cost pressures easing



favourable second half cost trends to extend into 2010

Margin drivers: performance stabilised

Volume		<ul style="list-style-type: none"> • slight improvement in H2
Wet margin		<ul style="list-style-type: none"> • annualised £2m additional discounts • reduction in wine, spirit and mineral prices • delayed supplier price increases
Rent		<ul style="list-style-type: none"> • annualised rent concessions of £1m • substantive agreements rent in growth
Debt		<ul style="list-style-type: none"> • bad debt as % of turnover level at 1% • repayment plans increased
Costs		<ul style="list-style-type: none"> • higher agency costs vs last year • administration savings

**like-for-like profit 8 weeks to 28 November 2009*

stabilisation achieved, appropriate level of support

1. Rental management

- concessions have increased to £3m but have now stabilised
- £1m rent; £2m additional discount
- average rent per pub £25.5k
- 95 rent reviews completed, none went to arbitration
- substantive agreements rent +2%

2. Pub closures

- 14 closed pubs
- 11 planned to move to Retail Agreement in H1

3. Disposals

- less than 100 disposal sites
- continuous review of estate

strong indicators maintained

Polarised performance

	Substantive	Other	Total
% of estate	80	20	100
% of profit	90	10	100
rent vs LY%	+2	(31)	(4)
EBIT vs LY%	-	(36)	(7)



Two key challenges:

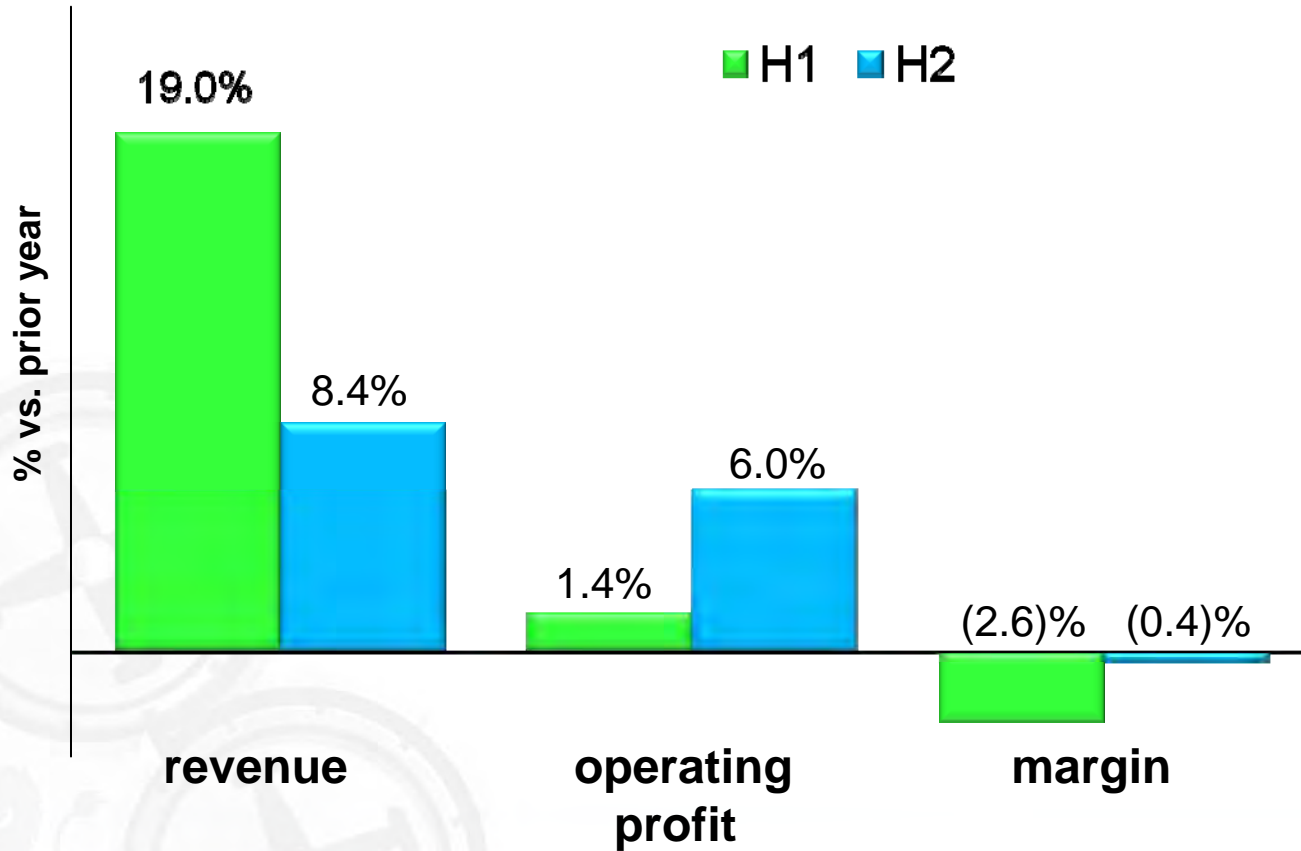
- maintain and develop our core estate
- exploit opportunities in the remainder

current trading improving from (7)% to (5)%*

**like-for-like profit 8 weeks to 28 November 2009*

robust substantive performance, opportunity in remainder

Organic growth in second half



revenue and profit growth in H2

Property exceptional items

	Value £m
High street leaseholds	(19.8)
Freehold impairments	(4.3)
Onerous lease provision	(12.9)
	<u>(37.0)</u>

- 78 site valuations adjusted, on top of 288 pubs impaired at half year
- total impairment in year of £68m, 3.4% of estate value, £43.9m through revaluation reserve

appropriate adjustment for leasehold assets

1. IAS19 deficit broadly stable at £35.3m

- £10m top-up contribution minimises deficit exposure
- equity performance offsetting bond yield downside (63% equities mix)

2. Tri-ennial valuation agreed

- funding deficit of £106.8m
- top-up payments consistent with previous years
 - £10m in 2010, 5.75% per annum increases thereafter
 - 9 year funding plan agreed

stable payment profile, no additional cash burden

Securitisation results		Actual
• gross debt ⁽¹⁾ outstanding as at 3 October 2009		£1,079.4m
• EBITDA		£126.9m
• free cash flow (FCF)		£110.0m
• debt service (DSCR)		£77.4m

Financial covenants	Actual	Covenant
• FCF : DSCR	1.42x	>1.1x ⁽²⁾
• EBITDA : DSCR	1.64x	>1.5x ⁽³⁾
• net worth	£490.0m	£90m

⁽¹⁾before debt issue costs

⁽²⁾restricted payment covenant >1.3x

⁽³⁾restricted payment covenant only

headroom on covenants, flexibility to transfer profit

	£m	
securitisation	1,079	• amortises to 2035
bank facility*	131	• interest cover: 5.2x vs covenant >2.75x • debt to EBITDA: 1.4x vs covenant <4.75x
	<u>1,210</u>	
net cash	(91)	
debt issue costs	(20)	
net debt	<u>1,099</u>	• underlying net debt reduction of £15m • average cost of net debt c.6.7%
net debt: EBITDA	5.7x	• 2008 6.2x

- no refinancing requirement until August 2013
- flexibility to transfer profit between finance structures
- objective to reduce net debt: EBITDA ratio over the next 3 years

* including loan notes of £5.5m

secure long-term financing, focus on leverage reduction

1. Resilient trading performance

- second half performance strong
- strong like-for-likes and margins in MIT
- improving trends in MPC
- MBC – organic growth in second half

2. Balance sheet

- asset values predominantly freehold
- appropriate impairment of weakest assets

3. Financing

- rights issue facilitates growth
- no refinancing requirement until August 2013
- covenant headroom and flexibility
- intention to reduce net debt: EBITDA over time



improving performance and secure finance structure



Ralph Findlay
Chief Executive

1. Pub operator

- Marston's Inns and Taverns – 496 managed pubs
- Marston's Pub Company – 1,688 tenanted/leased pubs
- situated across England and Wales
- 98% freehold estate (by value)*

2. Brewer – Marston's Beer Company

- ale brewer; market leading position in premium ales

3. Vertically integrated business

- cost efficient
- more opportunities
- reduced risk

**includes long leaseholds*

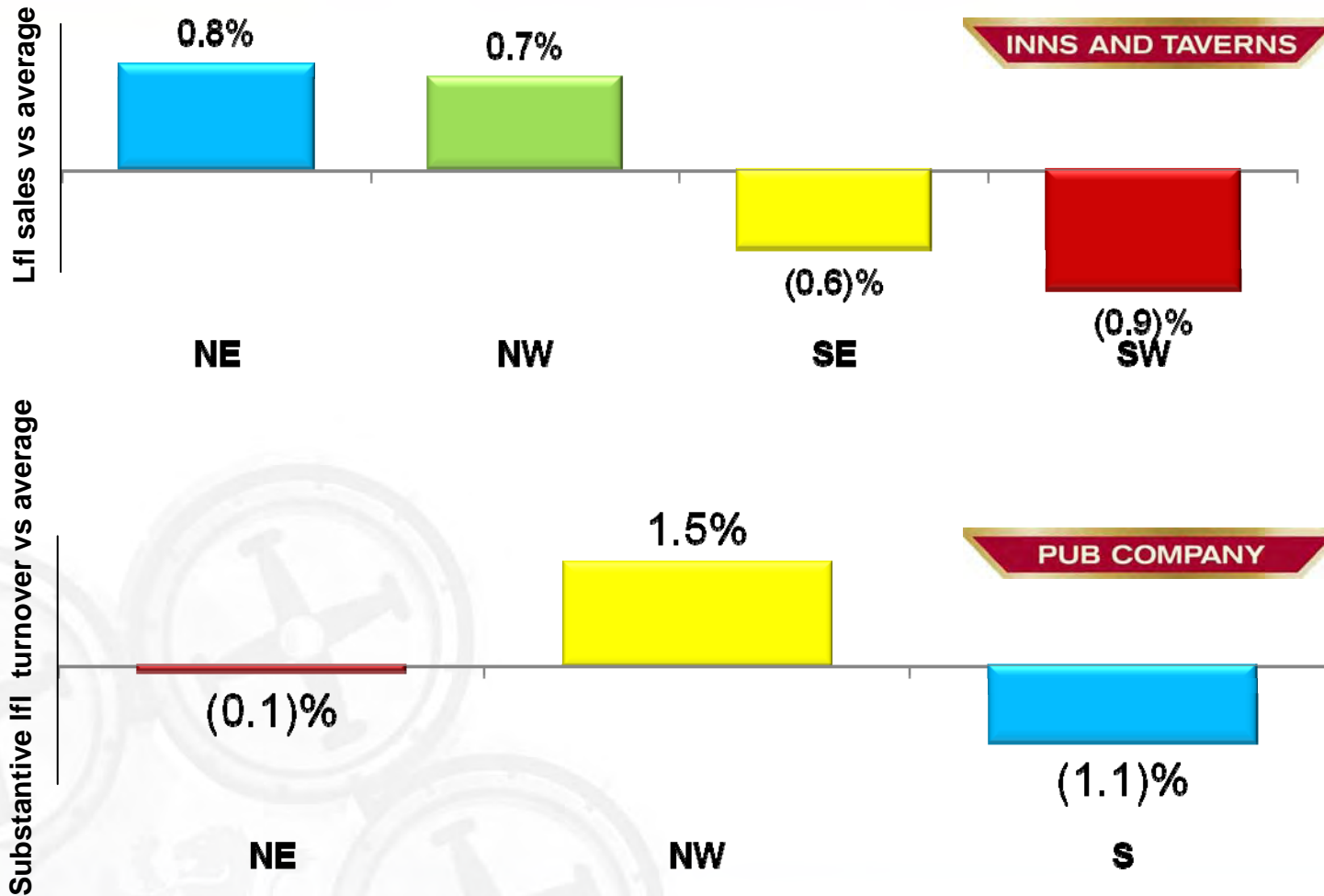


**a leading pub operator and brewer with a flexible
business model**



differentiated strategy leading to resilient performance

Estate quality more important than geography



INNS AND TAVERNS

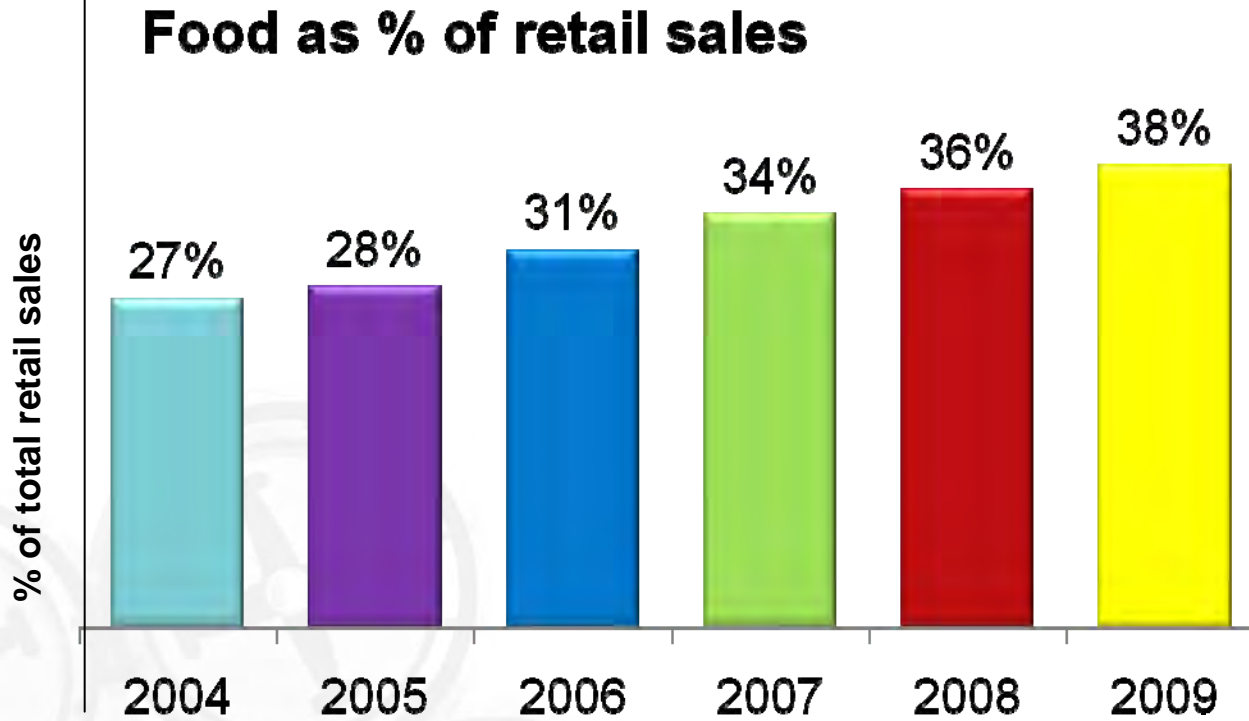
PUB COMPANY

further demonstrated by overall performance vs. peers

- 1. 'F-Plan' consistent with well understood long-term structural trends**
 - growth in eating-out market
 - increased pub usage by families, females
 - decline of 'the boozier'
 - maturing population
- 2. 'F-Plan' focus is even more appropriate for today's market**
 - increased focus and specialism is critical in intensively competitive market: pubs, restaurants, supermarkets, fast food
 - capacity is coming out of the sector through pub closures
 - image of pubs as leisure venues will be enhanced over time
- 3. 'F-Plan' underpinned by great value, service, range, standards - and price**

investment plans will continue our 'F-Plan' development

65% of our customers visit the pub to dine



like-for-like growth despite recessionary environment

1. 23m meals served last year

- like-for-like volume +4.0%, price (1.2)%

2. Value offers performed most strongly

- Two for one, carvery, 2 for £10 promotions
- food margins maintained through menu engineering, better purchasing terms

3. Range extensions in food and drink

- pie shop, rotisserie, hotpot meals, 'build your own burger'
- new snacking and sandwich range – baked camembert, pate in a pot, bagels
- flexibility to pub managers on cask beer – 'ask the customers', 'News from the Wood'

4. Service enhanced by in-depth training, e-learning

- 'selling-up' increased side-order sales by +8.6%, desserts by +7.5%

average spend per head on food c.£6 – similar to 2008

New-build plans 2010 – 2012 progressing well



- areas of high population density
- high visibility sites
- office, leisure, retail activity
- Milestone and Two for One formats
- 180-250 covers dependent on location
- roll-out timetable

2010	15 sites
2011	20 sites
2012	25 sites
Total	60 sites

● identified new-build site

on track to open 15 pubs in 2010

New openings in strong trading locations



Ladybird, Caterham



The Boathouse, Braunston



Ladybird, Caterham



The Boathouse, Braunston

hand-picked sites, consistent returns

1. **Plentiful supply of high quality sites – few competing buyers**
2. **Lower cost of acquisition**
 - better sites available
3. **Co-location with Travelodge – de-risking rooms expansion**
4. **Reduced construction costs**
5. **Lower risk than acquisitions**
 - predictable returns



Marston's is the market leader in new-build pubs

Development of the substantive estate



1. Fair rent-setting process

- average rent per pub £25.5k per annum
- rental growth achieved, but at lower rate

2. Price flexibility

- permanent reductions in wine, spirit and mineral prices (wholesale price benchmark)
- Advance agreement trial
 - free trade reference pricing
 - value gain to licensee; cost savings and increased stability for MPC

3. Relevant business building assistance

- passing on group buying leverage
- on-line marketing support
- wide-ranging training programme
- strict call cycle from well qualified BDMs

helping good, well run pubs to perform better

1. Target operator

- good licensee concerned about fixed costs (rent)

2. Business model

- target optimal rent £15k per annum
- rent charged as a variable surcharge of £75 per barrel on drink volume
- rent capped at 200 barrels
- 99 pubs at year-end
- keeps smaller pubs open and trading

3. What's in it for the licensee?

- rent is variable depending on level of trade
- licensee not penalised for outperformance (rental cap)

model designed to meet operator concerns

1. Target operator

- good licensee concerned about funding, risk

2. Business model

- modest investment (typically £50k per pub)
- target £3.5k per week turnover at 25% EBITDA conversion
- Marston's pay all of the bills except staff costs
- 24 pubs currently trading, target 90 by end 2010
- converts loss-makers into viable businesses

3. What's in it for the licensee?

- no “distress” distraction
- licensee receives 20% of turnover to pay own remuneration and wages
- licensee focussed on maximising sales and motivating staff

creating significant value from underperforming pubs

Encouraging performance from new agreements

Retail agreements (11 pubs) YOY*

volumes +390 brls

EBITDA +£80k

incremental EBITDA
per pub per month +£3,600

Tracker agreements (99 pubs) YOY*

volumes +400 brls

EBITDA +£100k

incremental EBITDA
per pub per month +£500



- 11 open at last year-end
 - 24 open at 28 Nov
- target 90 by end of 2010

*8 weeks to 28 November 2009

innovative agreements growing volumes and profit

1. The tie offers opportunity

- low cost of entry vs. franchise vs. ownership
- existence of the tie provides operator incentive to support the business

2. Tenant/operator relationships need to improve

- more openness, greater transparency
- increased flexibility and recognition of trends
- increased business awareness by licensees

3. Sustainability and share of risks and rewards are key

- good pubs operated by capable licensees on fair rents



* Business Innovation and Skills Committee

1. Customer focused strategy

- choice, quality, taste
- efficient cost management but not production-led
 - additional cost of multi-site operations <£1m pa
 - fully justified by local brand performance

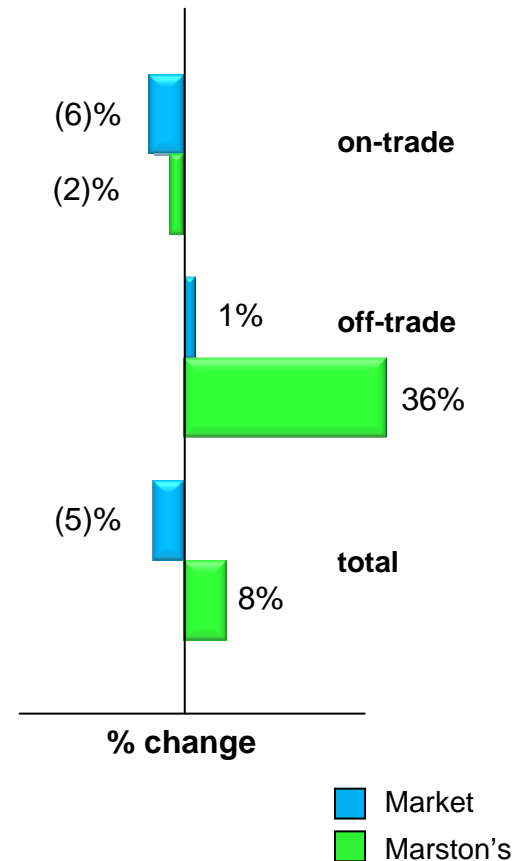
2. Key points of difference

- 2 national brands and authentic local/regional beers
- market leader in premium cask ales
 - 23.4%* market share, volume up 26%
- off-trade expertise
 - market leader in bottled ale, 17.5% market share

3. Underpinned by consistent marketing, both nationally and regionally

*BBPA derived

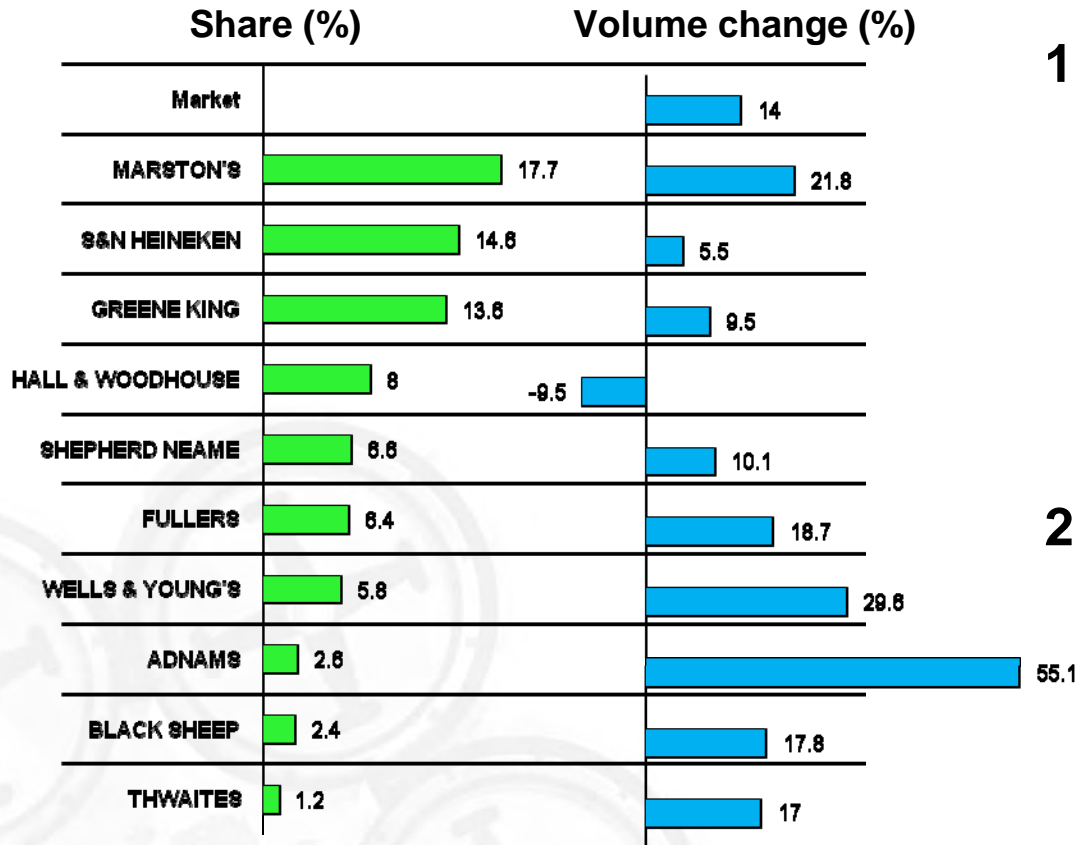
Volume performance



increasing market share and raising ROC are key objectives

Off-trade benefited from the 'Summer of Cricket'

Final quarter bottled ale performance*



1. PBA full year volume change*

- Hobgoblin +21.9%
- Marston's Pedigree +47.7%
- Marston's Old Empire (5.4)%
- Brakspear Oxford Gold +20.9%
- Jennings Cumberland Ale +5.4%

2. Total core off-trade brands +19%*



*source: Nielsen data 13 weeks to 3 October 2009 – bottled ale

category leader in premium ale – on and off-trade

1. Optimising price and promotions ✓
2. Continued focus on innovation, current trends ✓
3. A rigorous approach to pub standards ✓
4. Capitalise on beer brand portfolio ✓
5. Tightly controlled costs, excellent customer service ✓
6. Reduce debt ✓
7. Maintain high ethical, environmental standards ✓

consistent focus on customer, costs and debt management

1. Encouraging start to the year

- MIT like-for-like sales +3.1%, food sales +5.3%, drink sales +1.6%
- MPC like-for-like profit (5)% - sector-leading performance
- MBC continue to perform in line with expectations

2. Cost outlook more favourable

3. Economic indicators continue to provide grounds for caution

good, well-run pubs and regional ales continue to perform well

1. Resilient performance in very challenging environment

- strong H2 including market-leading margin performance

2. Rights issue

- provides opportunities to exploit market conditions and accelerate new-build roll-out
- investment plans help to reduce net debt/EBITDA ratio

3. Good progress in growth segments of market

- food development
- premium ale

4. Innovation in tenanted and leased pubs

5. Differentiated strategy, clear value proposition

credible results, clear and sound strategy



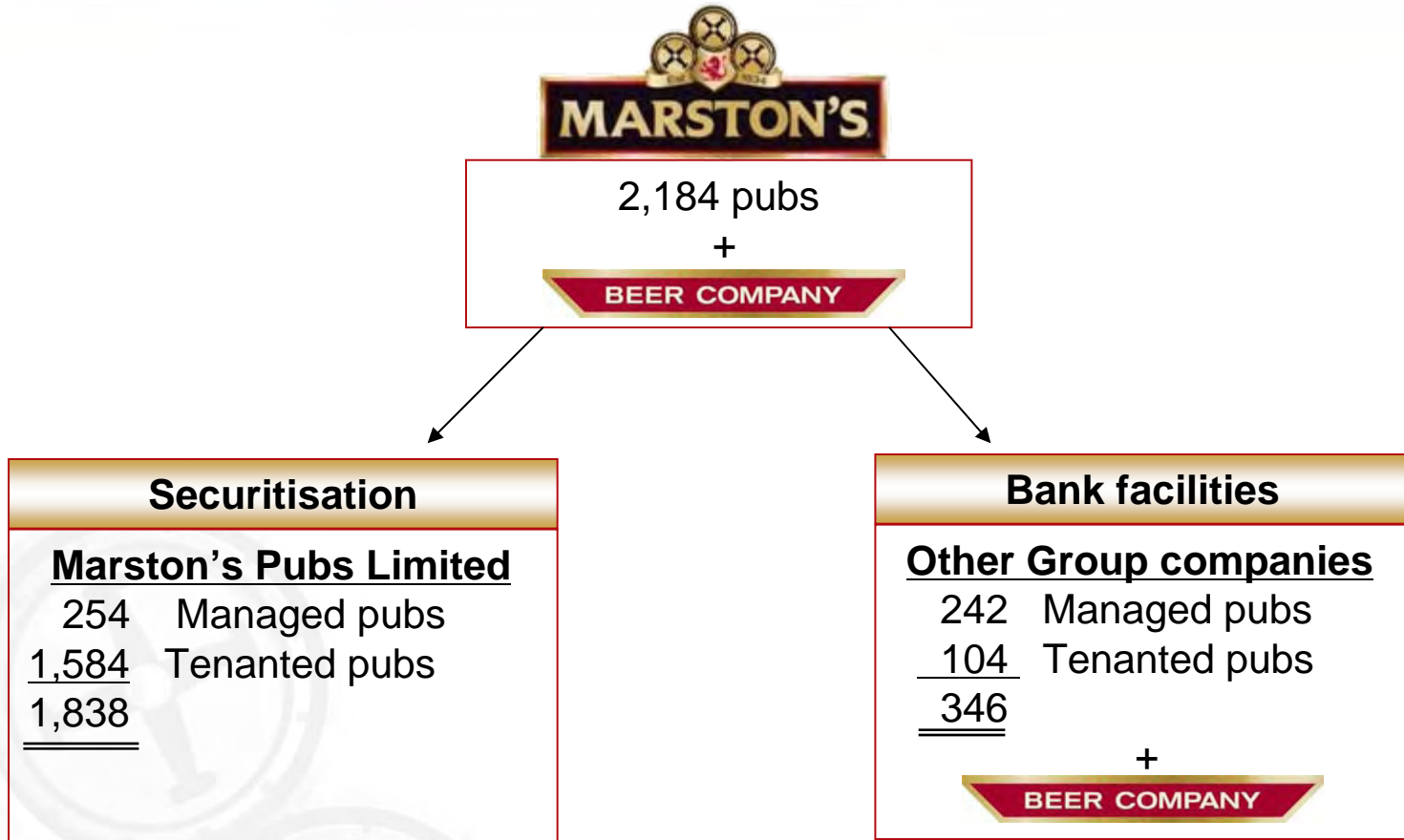
MARSTON'S

www.drinkaware.co.uk



Appendices

Split of assets*



* as at 3 October 2009

84% of pubs are securitised

INNS AND TAVERNS

		<u>2009</u>	<u>2008</u>	<u>% change</u>
Revenue	£m	367.8	381.7	(3.6)%
EBITDA	£m	83.2	87.9	(5.3)%
Operating profit	£m	60.3	64.5	(6.5)%
Operating margin	%	16.4	16.9	(0.3)%
Average no. of pubs		502	550	

*before exceptional items, 2008 restated to 52 weeks for comparative purposes




Financial highlights*

PUB COMPANY		<u>2009</u>	<u>2008</u>	<u>% change</u>
Revenue	£m	175.8	183.0	(3.9)%
EBITDA	£m	92.0	97.5	(5.6)%
Operating profit	£m	81.8	88.0	(7.0)%
Operating margin	%	46.5	48.1	(1.6)%
Average no. of pubs		1,718	1,713	

*before exceptional items, 2008 restated to 52 weeks for comparative purposes

BEER COMPANY		<u>2009</u>	<u>2008</u>	<u>% change</u>
Revenue	£m	101.5	89.7	13.2%
EBITDA	£m	25.0	23.6	5.9%
Operating profit	£m	16.0	15.4	3.9%
Operating margin	%	15.8	17.2	(1.4)%

*before exceptional items, 2008 restated to 52 weeks for comparative purposes

<u>Pub numbers</u>			
4 October 2008	506	1,743	2,249
New-builds/single site acquisitions	5	-	5
Disposals	(15)	(55)	(70)
3 Oct 2009	<u>496</u>	<u>1,688</u>	<u>2,184</u>



- Average number of shares in 2009 415.8m
 - Number of shares in issue as at 3 December 2009 569.2m
 - Additional dilutive number of shares 1.9m
-
- | | | |
|------------------------------|-------------------|--|
| | | Forecast
2010 |
| • Forecast tax rate | | 23%-25% |
| • Capex forecast: | existing business | £40m-£45m |
| | new-builds/sites | £45m |
| | | <hr style="width: 100%; border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> £85m-£90m |
| • Forecast disposal proceeds | | c.£20m |

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