



15 October 2009

Marston's PLC

Year-end Trading Statement

Marston's PLC issues the following update on trading for the year ended 3 October 2009. The preliminary results will be announced on 3 December 2009.

Group Trading – resilient performance

Overall Group turnover* was 1.4% below last year for the 12 month period, and flat in the second half-year despite poor summer weather and fragile consumer confidence.

Group operating margin was just over 1% below last year. Tight cost control continues to mitigate increases in food, energy and brewing raw materials.

We expect earnings before tax and exceptional items for the year ended 3 October 2009 to be in line with expectations. As previously forecast, we expect to declare a final dividend of 3.7 pence per share payable in January 2010.

Managed pubs – robust H2 sales and margins; continued food sales growth

Marston's Inns and Taverns like-for-like sales were 0.6% below last year with like-for-like food sales growth of 2.8%. Like-for-like sales were stronger in the second half-year, including growth of 2.7% in the 9 weeks to 3 October 2009. Like-for-like food growth in the 9 weeks period to 3 October 2009 was up 5.7% and wet sales were up 1.0% in the same period. Our focus on the 'F-Plan' – on food, families, females and 'forty/fifty somethings' – and on building new pub-restaurants has contributed to this robust performance, with food sales now representing 38% of total retail sales within our managed pubs. The number of meals sold during the year increased by 4% to over 23 million meals with average spend per head at £5.94 reflecting our value for money offers. Operating margin in the second half-year was level with the comparable period in 2008, and 0.4% below last year for the 12 month period.

Tenanted and leased pubs – innovative solutions introduced to assist licensees

Marston's Pub Company like-for-like profit was around 7% below last year. As previously reported, approximately 80% of the division's pubs are let on substantive agreements, and overall profit from these pubs was in line with last year. We have introduced a range of innovative solutions to retain and attract good licensees. These include a variable rent agreement (the 'Tracker') in around 100 pubs and a franchise-style agreement in 10 pubs. These agreements reduce risks for the tenant and, in the case of the franchise style agreement, facilitate improved retail standards. This innovative model will be further extended in 2010 following encouraging results to date. Our objective is to increase the number of pubs let on substantive agreements and to reduce the level of temporary rent alleviations and discounts which, as previously forecast, cost around £3 million during the financial year just ended.

Brewing – increased market share and strong growth in premium ales

Marston's Beer Company strategy is to offer a national portfolio of high quality beer brands with genuine local provenance and strong regional appeal. This differentiated approach has contributed towards strong volume performances, particularly from our premium ale brands. Own-brewed ale volumes increased by 8% in the 12 month period and premium ale, which is now 53.5% of the ale portfolio, increased by 26% including 13% growth in the on-trade and 50% growth in the off-trade. Since the half year, premium ale bottled volumes increased by 27% including growth of over 100% in bottled Marston's Pedigree, 'The Official Beer of England Cricket'. Operating margin was down by under 2.0% as a consequence of the change in sales mix towards the off-trade, which is lower margin

than the on-trade, and higher brewing costs. This represents an improved margin performance in the second half-year.

Financing and Balance Sheet - £165m raised through rights issue; net debt reduced

On 22 July 2009 we announced that our rights issue had been completed successfully, raising funds of £165 million (net of issue costs). As announced previously, approximately £140 million of the proceeds is being invested in continuing our successful new-build strategy, with the objective of opening around 60 new managed pubs over the next 3 years. Marston's is now the market leader in new food-led destination pubs.

Following our rights issue we are able to take advantage of current market conditions to acquire excellent sites at attractive prices and to build high quality managed pubs which target the growing part of the pub-restaurant market. We are making good progress and are on track for 15 new openings in the 2010.

Net debt of just below £1,100 million as at 3 October 2009, was £169 million below last year and around £15 million below last year excluding the impact of the rights issue and associated expenditure on new-build pubs. As planned we sold around 70 pubs and other properties for over £20 million, achieving book value.

Group capital expenditure in 2010 will increase from around £56 million in 2009, to around £85-£90 million as a consequence of the investment of £45 million in new-build pubs.

The financing structure of the Group is based principally on long term secured debt, which is virtually all at fixed rates of interest. Following the extension of our bank facility announced earlier in the year we have no further refinancing requirements until August 2013.

In common with other operators and as part of the regular impairment review we are assessing the extent to which non-cash adjustments to book values for certain pubs - principally town centre leasehold sites - should be made. We expect that a non-cash charge of not more than £40 million will be reported as an exceptional item in our preliminary results, in respect of this review.

The triennial valuation of the final salary pension scheme has now been agreed. Company payments into the scheme, including 'top-up' contributions, will remain broadly unchanged in 2010.

Legislative matters

There have been no further legislative developments since the Interim Results announcement on 22 May 2009, although a decision is awaited in respect of an OFT review relating to tenanted and leased pubs. In response to the BEC report, we believe the industry has made significant progress in addressing the issues identified. Marston's Pub Company continues to develop its relationship with tenants and lessees, and to operate in a transparent manner with the objective of a fair division of risk and reward between the Company and our licensees. We are flexible, where appropriate, in assisting licensees as a consequence of current economic conditions and market trends, but we are clear that the principles underlying existing agreements, including the tie and fair, sustainable rents, confer real benefits to tenants.

Outlook – differentiated strategy, cautious optimism

The outlook for the UK economy is uncertain. Whilst we remain cautious, immediate cost inflation pressures have eased, and we are well positioned to meet the upcoming challenges.

We have a clearly defined growth agenda for each of our trading divisions. In our managed pubs, growth is being driven by an accelerated new build programme and a clear focus on value for money. In our tenanted and leased pubs we have introduced innovative solutions to stabilise trading in weaker tenanted pubs, and to continue the development of the estate as a whole. In brewing, we are benefiting from growing consumer interest in high quality regional cask ales with our strong brand portfolio.

Our strategy is clearly differentiated and appropriate for current market conditions and trends.

* 2008 restated from 53 weeks to 52 weeks for comparative purposes.

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NOTES TO EDITORS

- Marston's is a leading independent brewer and pub operator.
- It has an estate of 2,184 pubs situated nationally. The estate comprises 1,688 tenanted or leased pubs, and 496 managed pubs.
- It is the UK's leading brewer of premium cask and premium bottled ales, including Marston's Pedigree and Hobgoblin. The beer portfolio also includes Banks's, Jennings, Wychwood, Ringwood, Brakspear and Mansfield beers.
- Marston's employs over 12,000 people throughout England and Wales.