



Preliminary Results 2010



David Thompson

Chairman

- 1. 2010 performance in line with targets**
 - Revenue, profit and earnings up
 - Improved leverage ratio, ROC
- 2. Focused and consistent strategy**
 - Differentiated strategy executed well
- 3. Final dividend of 3.7p per share**
- 4. Operational and Board changes planned**
- 5. Good momentum in current financial year**



Andrew Andrea

Finance Director



Profit and loss account

52 weeks	2010	2009	% change
Revenue	£650.7m	£645.1m	+0.9%
Operating margin	22.9%	22.8%	+0.1%
Operating profit	£148.7m	£147.4m	+0.9%
Profit before tax ¹	£73.5m	£70.3m	+4.6%
Adjusted EPS ^{1,2}	10.0p	13.4p	(25.4)%
Final dividend	3.7p	3.7p	-

¹ before exceptional items

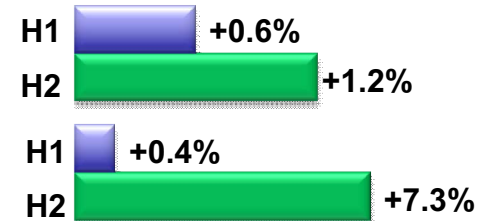
² prior period adjusted for impact of rights issue



Strong second-half

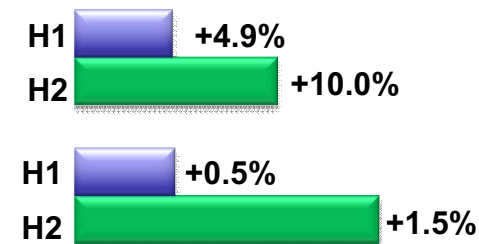
Group Highlights

- Group revenue
- PBT



Marston's Inns and Taverns

- Operating profit
- H2 Operating margin of 20%



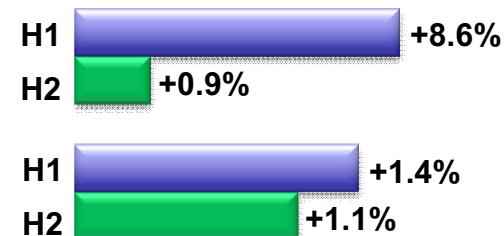
Marston's Pub Company

- Operating profit



Marston's Beer Company

- Revenue
- Operating profit



Strong momentum into new financial year



Like-for-like performance

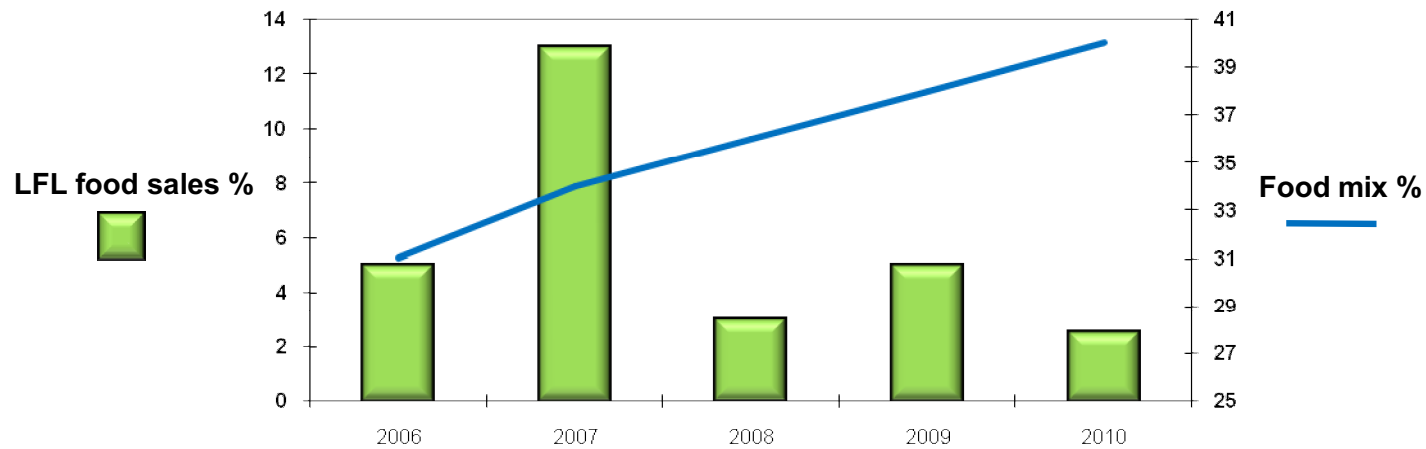
INNS AND TAVERNS

2010 performance

Like-for-like sales*	% change
Drink	+1.4%
Food	+2.5%
Total	+1.7%

Current trading

Like-for-like sales* for 8 weeks to 27 November	% change
Drink	+1.7%
Food	+5.8%
Total	+3.0%



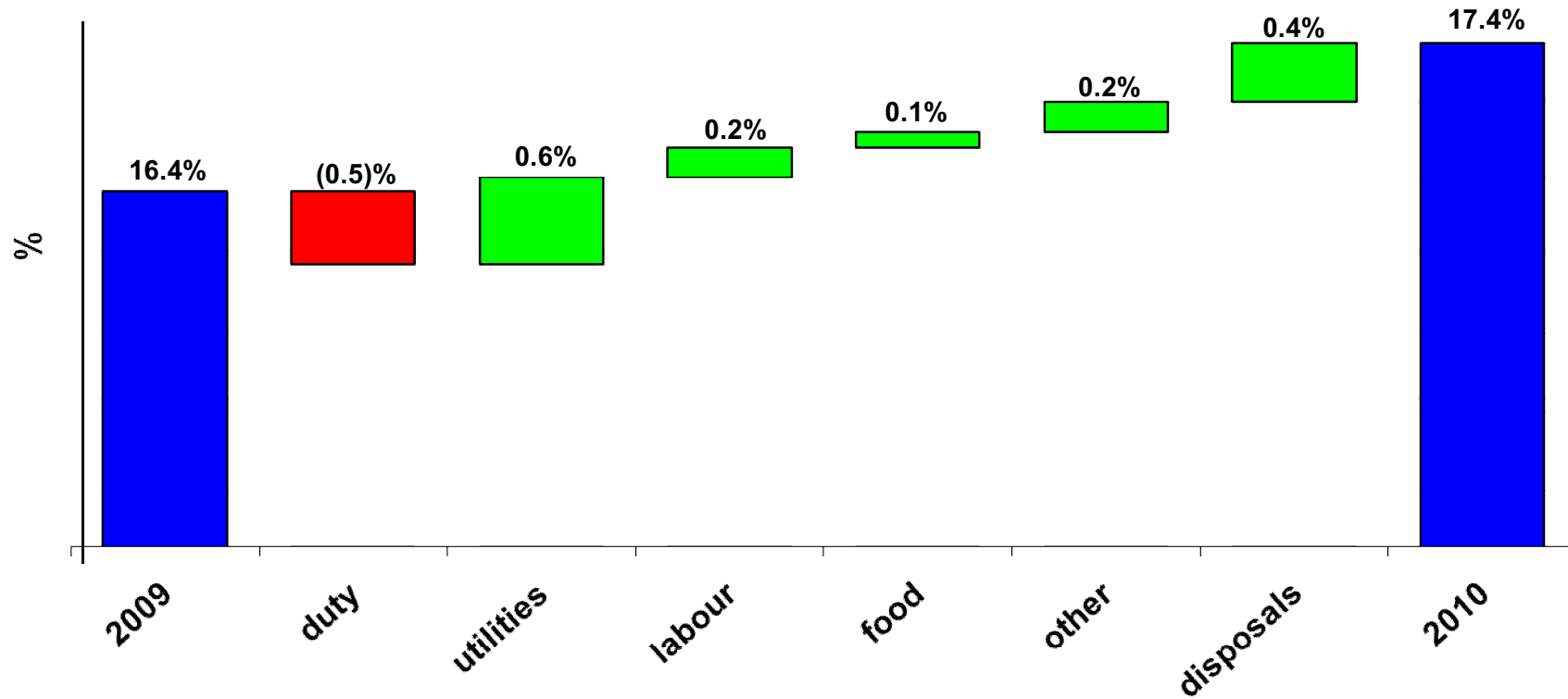
* excludes any pubs acquired in last two years

Food mix continues to grow, drink sales positive



Retail margin performance

INNS AND TAVERNS



Margin up by 1% through tight cost control and disposals

1. **Labour** - manageable minimum wage impact of £1.5m
2. **Food** - modest increase of c.£0.5m
 - Mitigated by menu management and forward contracts
3. **Lager** - new contracts from October 2010, cost impact not material
4. **Utilities** - no increases anticipated
5. **Carbon Reduction Levy** - awaiting further clarification

No significant cost burden anticipated



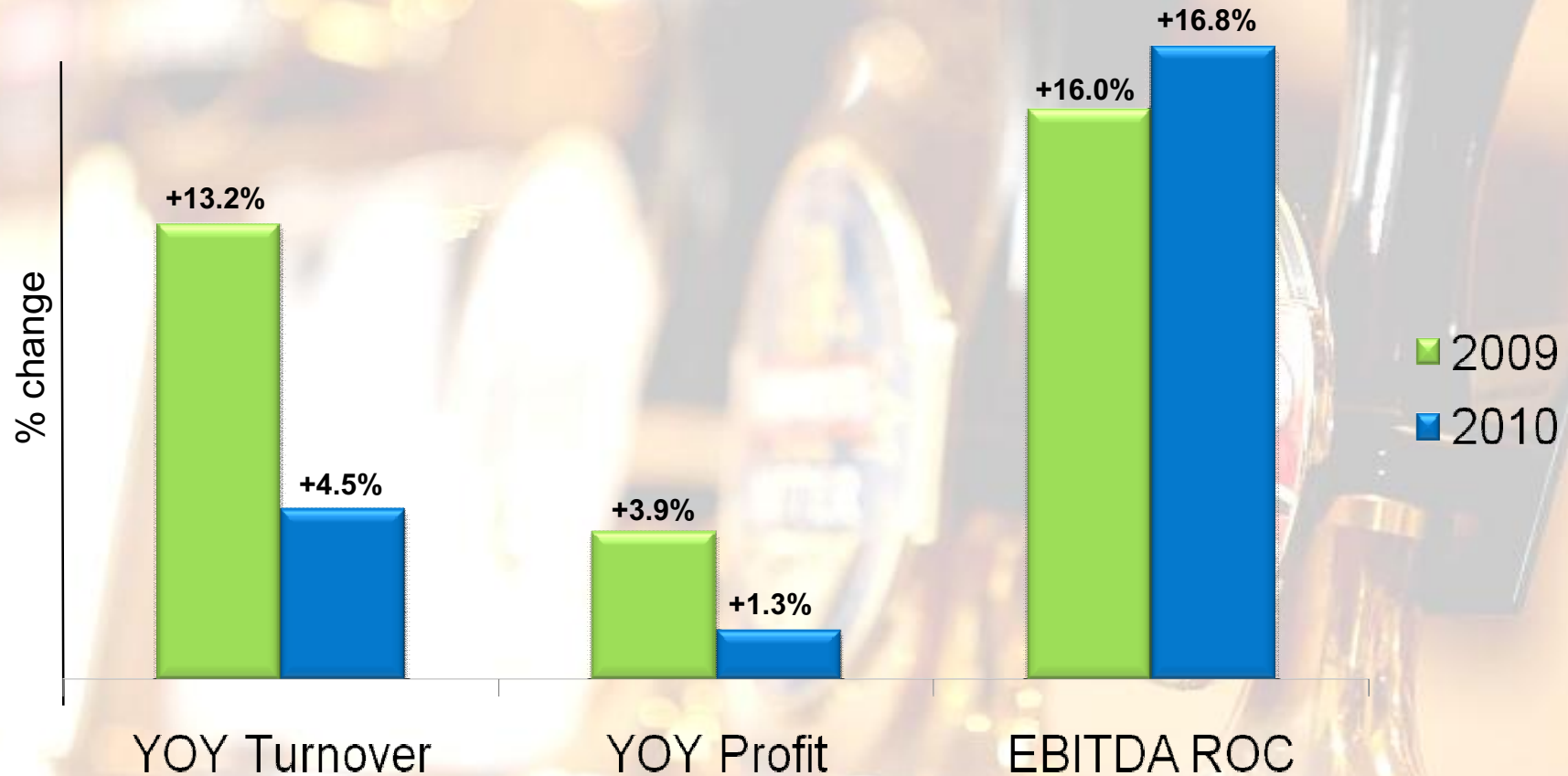
PUB COMPANY

Divisional KPIs

	2010	2009
Total Division	%	%
EBIT vs. LY	(4)	(7)
EBIT/pub vs. LY	(2)	(6)
Substantive Estate		
% of estate	86	80
Rent/pub vs. LY	+2	+2
Profit vs. LY	+1	-

First 8 weeks: EBIT down c.1.5%, EBIT per pub level

BEER COMPANY



1st 8 weeks: own-brewed volumes ahead of last year

Growth despite tough comparatives, Return on Capital improving



Cashflow summary

£m	2010	2009	YOY	Comments
Operating cashflow	189.3	147.3	+42.0	Working capital and tax
Net interest	(72.6)	(77.3)	+4.7	
Pre-investment FCF	116.7	70.0	+46.7	
Net capex*	(63.3)	(32.6)	(30.7)	New-build
Pre-dividend FCF	53.4	37.4	+16.0	
Final dividend	(33.0)	(35.9)	+2.9	
Net cashflow	20.4	1.5	+18.9	

* Includes disposal proceeds
FCF = Free cashflow



Financing structure

	£m	
Securitisation	1,060	• Amortises to 2035
Bank facility* £295m to Aug 2013	98	• Interest cover: 4.8x vs covenant >2.7x • Debt to EBITDA: 1.4x vs covenant <4.5x
	1,158	• 100% at fixed rates
Net cash	(60)	
Debt issue costs	(16)	
Net debt	1,082	• Average cost of net debt c.6.9%
Debt:EBITDA	5.7x	• In line with last year

- No refinancing requirement until August 2013
- Flexibility to transfer profit between finance structures
- Objective to reduce leverage over next three years to 5x debt: EBITDA

* including loan notes of £0.6m



Securitisation highlights

Securitisation results	Actual	
• Gross debt ⁽¹⁾ outstanding as at 2 Oct 2010	£1,060.0m	
• EBITDA	£128.7m	
• Free cashflow (FCF)	£114.9m	
• Debt service (DSCR)	£77.6m	
Financial covenants	Actual	Covenant
• FCF : DSCR	1.5x	>1.1x ⁽²⁾
• EBITDA : DSCR	1.7x	>1.5x ⁽³⁾
• Net worth	£540m	£90m

⁽¹⁾before debt issue costs

⁽²⁾restricted payment covenant >1.3x

⁽³⁾restricted payment covenant only

Significant headroom on securitised covenants

1. Focused strategy delivering growth

- Progress in all three trading divisions
- Improved margins, particularly in managed houses

2. Stronger cashflows

- Improved working capital management
- Capital investment increased to drive growth

3. Financing

- Secure, stable and flexible finance structure
- Focus on reducing leverage over time



Ralph Findlay

Chief Executive



Polarising market presents opportunity

1. 2010: growth despite challenges

- Economic - value, quality and service crucial to winning customers
- Competitive - investment driving market share gains
- Regulatory - the tie, town centre behaviour, health
- Taxation - VAT, duty higher than in 2009

These themes will continue to dominate for foreseeable future

2. 2011: clear strategy and return criteria

- Appropriate for today and longer-term trends
- Minimises regulatory risks for Marston's
- Affordable from existing resources
- High degree of visibility/certainty - proven execution

Market dynamics and uncertainty will continue to offer opportunity



Clear divisional strategies

STRATEGY

KEY COMPONENTS

OBJECTIVES



- 'F-Plan'
- New-build investment

Exploit and develop competitive advantage in pubs and brewing sectors



- Innovative agreements
- Greater control of retail offer

- Sustainable growth
- Lower gearing ratios
- Increased ROC



- 'Localness'
- Premium ales

A clear strategy focused on growth and return



'F-Plan' drives transformation

INNS AND TAVERNS

'F-Plan': Food, Families, Females, Forty/Fifty somethings

2005		2010
28%	Food sales mix: trends, strategy, development	40% 
14m	Meals served: 70% of visits are food-led	24m 
£11k	AWT per pub: investment, churn	£15k 
£5.70	Spend per head on food: value increased	£6.06 
62%	Food margins: ' Every Day Value '	66% 



New-builds drive higher returns

INNS AND TAVERNS

	2010 actual	2010 target	2005-2009
Number of pubs	15	15	30
Turnover per week	£25k	£20k	£20.5k
EBITDA conversion	31%	30%	31%
Food mix	62%	55%	56%
Food spend per head	c.£6.50	c.£6.00	c.£6.00
EBITDA ROC*	17.3%	15.0%	16.7%
LFL sales			+4.5%

*annualised pro-forma



Projection: returns to increase

INNS AND TAVERNS

Illustrative pro-forma

	Actual 2010	New-builds 2011-2015	'Pro-forma'
Number of pubs	490	120	610
AWT (£k per week)	15	25	17
Food sales mix	40%	60%	45%
EBITDA (£m)	85	40	125
ROC	c.9%	c.15%	c.11%

1. Visibility and control of plans

- 2011: 20 sites under contract, 2 open and 7 on site
- 2012: 25 sites identified
- 2013 – 2015: c.100 sites under constant review

2. ROC anticipates pressure on returns

- 15% target below current run-rate – returning competition, build costs



PUB COMPANY

Innovation in tenanted and leased pubs

- 1. MPC performance has benefited from relationships based on:**
 - Fair rents
 - Transparency – Plain English agreements (2002), Rent Panel (2003)
 - Fair share of risks and rewards
- 2. Licensees have benefited from:**
 - Rent/discount support where appropriate
 - Commercial support including Marston's buying power and training
 - Capital investment averaging £13k per pub (2009: £11k per pub)
- 3. Our view: regulatory and market trends are here to stay**
 - Tax and regulatory environment
 - Competition – managed house operators, restaurants, supermarkets
 - 'F-Plan' drivers

2009-2010: launch of Retail Agreement; flexible leases



MPC segmented: 2010 performance

PUB COMPANY

	Long-term leases	Retail Agreement Estate	Disposals	Total
No. of pubs	1,000	600	64	1,664
% of estate	60	36	4	100
Divisional profit	£71m	£8m	-	£79m
% of profit	90	10	-	100
YOY EBIT %	+1	-24	-	-4
	↓	↓	↓	
	STABILITY	OPPORTUNITY	REVIEW	

Majority of profit stable, significant Retail Agreement opportunity

1. Improving consumer proposition key to success
2. Targets are achievable
 - £6m profit uplift from 600 Retail Agreement pubs by 2013
 - Represents 20% ROIC
3. Leverages integrated model – food, systems, purchasing
4. Quality of licensees improved
 - Significant interest from licensees



- 1. Well located, differentiated offers benefiting from entrepreneurial approach**
- 2. Rent and profit increased**
 - 90% of divisional profit (£70.9m)
 - Licensee stability in line with long-term average
- 3. Flexibility introduced to offer best value and service**
 - Free Trade pricing – Advance agreement
 - Free of tie – Ultra Advance agreement
 - Sales development - Food, Bar Runner, Full House
 - Cost savings: 'bins to banners'
- 4. Revised, accredited Code of Practice introduced**



*2010 MPC Pub of the Year
The Mustard Pot, Chapel Allerton*





BEER COMPANY

'Localness' adds value

1. 'Localness'

- Provenance, tradition, heritage, authenticity

2. Signals of 'Localness'

- Brewing, distribution, marketing

3. Competition

- Regional brewers, micro brewers

4. Marston's competitive advantage

- Genuinely local
- National distribution, cost-efficient
- Industry-leading guest ale programme

5. Measuring success – Free Trade outperformance

- Volume +10%, premium cask ale +18%, sales +13%, profit +10%
- Account base +11%

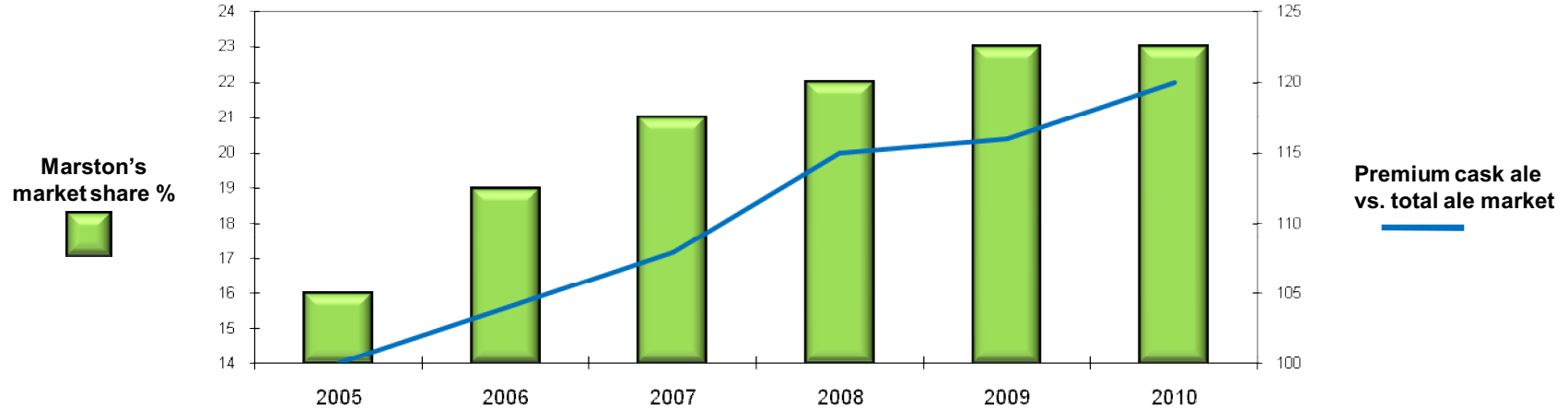




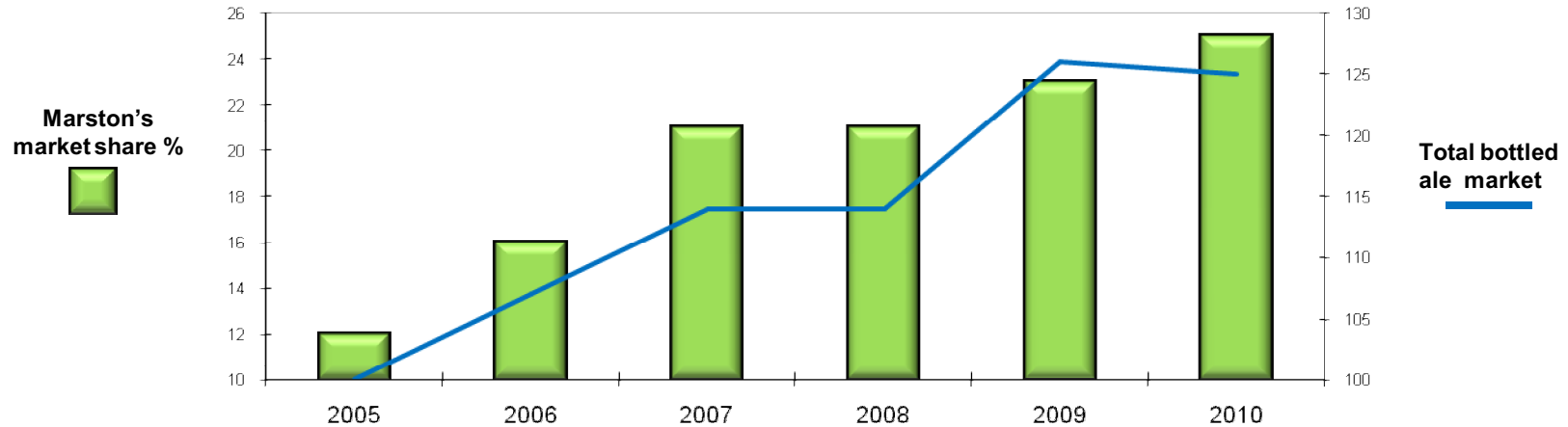
BEER COMPANY

Market leader in premium cask, bottled ale

Premium Cask Ale 2005-2010



Bottled Ale 2005-2010



*source: BBPA market tracker

Growth prospects, attractive consumer profile and margins



Objective: 'best in class' service

1. Retail agreements – sharing best practice between pub divisions

- Market insight, systems and resources

MIT to take on management and development from Oct 2011

2. MPC and MBC – shared support and business initiatives in 2010

- Licensees face the same issues as independent operators
- Contributed to improved performance in both divisions
- Aim to extend principles further over time – 'evolutionary' approach

Management of MPC and MBC under common leadership from Oct 2011

3. Key objective - consistent and clear focus on:

- Consumers in management and Retail Agreement pubs
- Customers in leased and independent free trade pubs



Board changes from 2 Oct 2011

- 1. Executive Directors to be reduced from 5 to 3**
 - CEO, COO, FD

- 2. Alistair Darby to be appointed COO reporting to Ralph Findlay**

- 3. Derek Andrew standing down from Company after 30 years service**
 - Will assist with momentum of new site acquisition programme

- 4. Pete Dalzell, Operations Director, MPC, to be appointed MD MIT**
 - Operations Director MIT until October 2010; 13 years service
 - Significant experience in new-build programme
 - Reporting to Alistair Darby

- 5. Stephen Oliver adds responsibility for Marston's Pub Company**
 - MD of MPC 2001 – 2007; MD of MBC 2007 - present
 - MD of MPC and MBC, reporting to Alistair Darby

1. Clear strategy to exploit and develop competitive advantage

- Key components identified by division
- Linked to internal capabilities and external market trends
- Affordable, deliverable, and within our control

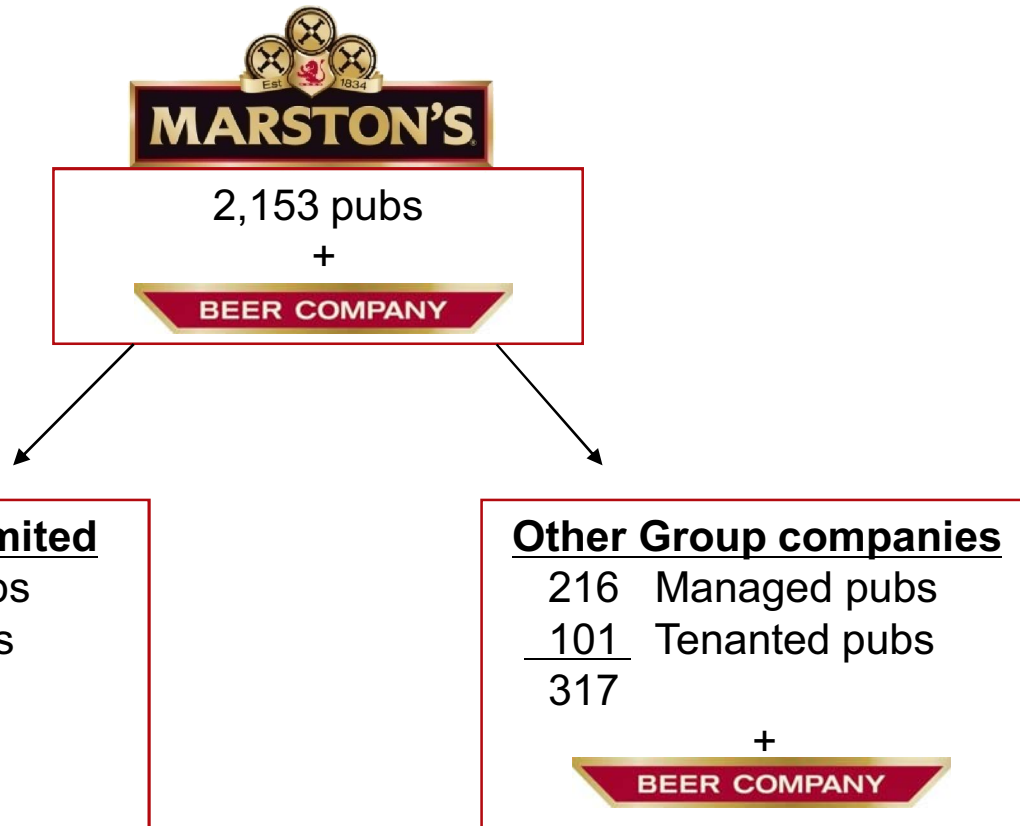
2. Clear financial objectives

- 2010 results demonstrate strategy is being well-executed

3. Announcement of organisational changes to enhance service



Appendices





Segmental analysis

	H1			H2			Total		
	2010 £m	2009 £m	%	2010 £m	2009 £m	%	2010 £m	2009 £m	%
Turnover									
MIT	175.4	173.7	1.0%	198.4	194.1	2.2%	373.8	367.8	1.6%
MPC	82.2	86.3	(4.8)%	88.6	89.5	(1.0)%	170.8	175.8	(2.8)%
MBC	51.6	47.5	8.6%	54.5	54.0	0.9%	106.1	101.5	4.5%
MGS									
Total	309.2	307.5	0.6%	341.5	337.6	1.2%	650.7	645.1	0.9%
Operating Profit									
MIT	25.5	24.3	4.9%	39.6	36.0	10.0%	65.1	60.3	8.0%
MPC	38.5	40.3	(4.5)%	40.3	41.5	(2.9)%	78.8	81.8	(3.7)%
MBC	7.2	7.1	1.4%	9.0	8.9	1.1%	16.2	16.0	1.3%
MGS	(5.7)	(6.3)	9.5%	(5.7)	(4.4)	(29.5)%	(11.4)	(10.7)	(6.5)%
Total	65.5	65.4	0.2%	83.2	82.0	1.5%	148.7	147.4	0.9%
Margin %									
MIT	14.5%	14.0%	0.5%	20.0%	18.5%	1.5%	17.4%	16.4%	1.0%
MPC	46.8%	46.7%	0.1%	45.5%	46.4%	(0.9)%	46.1%	46.5%	(0.4)%
MBC	14.0%	14.9%	(0.9)%	16.5%	16.5%	-	15.3%	15.8%	(0.5)%
MGS									
Total	21.2%	21.3%	(0.1)%	24.4%	24.3%	0.1%	22.9%	22.8%	0.1%
Finance Costs	(37.7)	(37.7)	-	(37.5)	(39.4)	4.8%	(75.2)	(77.1)	2.5%
Profit Before Tax	27.8	27.7	0.4%	45.7	42.6	7.3%	73.5	70.3	4.6%
Average no. of pubs									
	MIT						493	502	
	MPC						1,676	1,718	

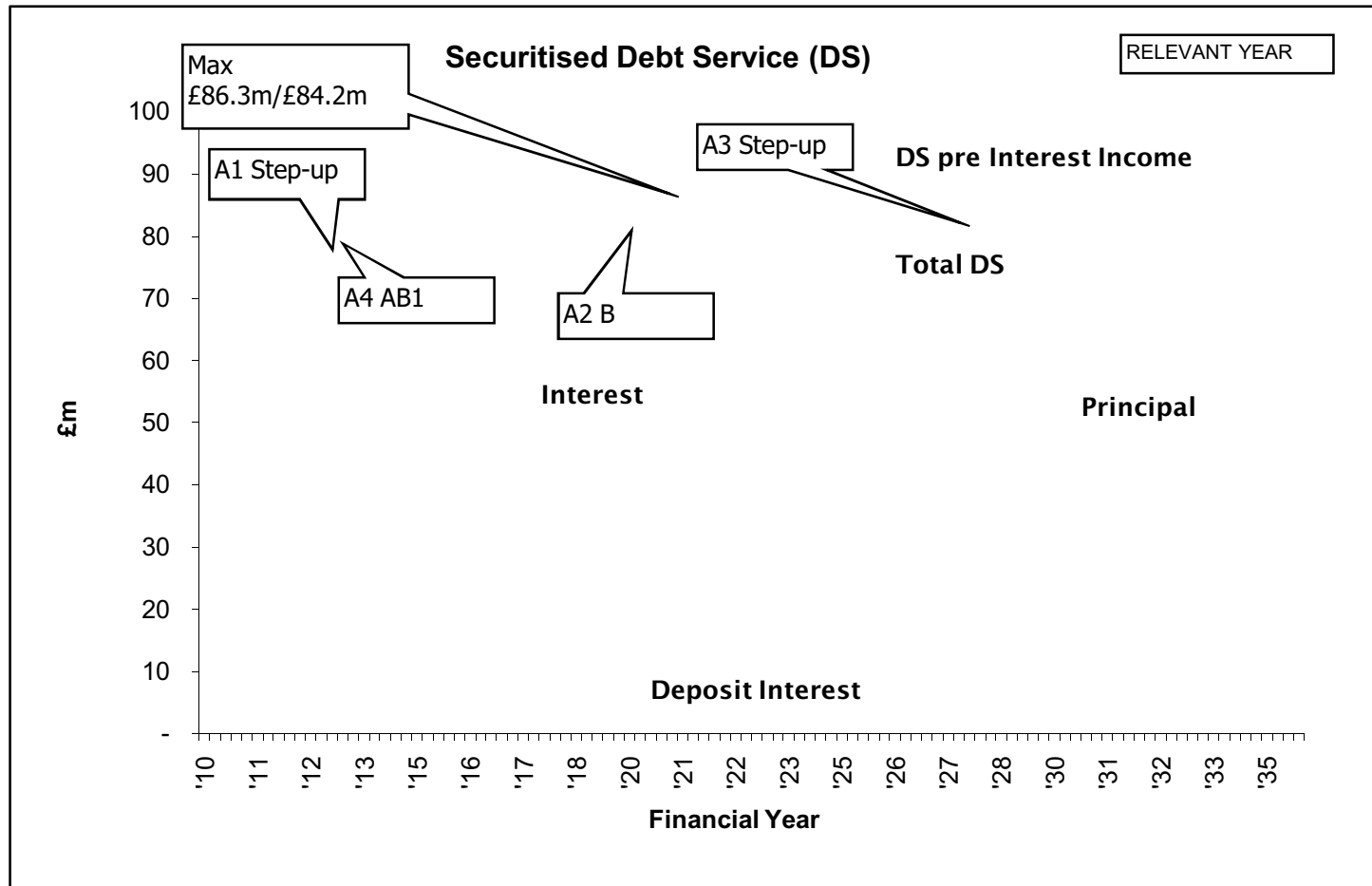


- Average number of shares in 2010 568.8m
 - Number of shares in issue as at 2 December 2010 568.8m
 - Additional dilutive number of shares 2.0m
- | | <u>Actual
2010</u> | <u>Forecast
2011</u> |
|---------------------|-------------------------------|---------------------------------|
| • Tax rate | 22.3% | 23%-25% |
| • Capex: | | |
| Existing business | £47m | c.£45m |
| Retail Agreements | £6m | c.£10m |
| New-builds/sites | £31m | c.£45m |
| | £84m | c.£100m |
| • Disposal proceeds | £17.5m | c.£15m |



Securitisation debt profile

Tranche	Type	Principal outstanding at 2/10/2010	Step-up Date	Final Maturity Date
A1	Floating	176.2	July 2012	2020
A2	Fixed/Floating	214.0	July 2019	2027
A3	Fixed/Floating	200.0	April 2027	2032
A4	Floating	234.8	Oct. 2012	2031
AB1	Floating	80.0	Oct. 2012	2035
B	Fixed/Floating	155.0	July 2019	2035
Total		1,060.0		





England has it

WE HAVE
BEER IN
OUR BLOOD

AUSTRALIANS HAVE
LEMON JUICE
IN THEIR HAIR



England has it

ENGLAND
HAS
HISTORY

AUSTRALIA
HAS
PREVIOUS



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