



4 August 2009

**MARSTON'S PLC ("MARSTON'S")**  
**INTERIM MANAGEMENT STATEMENT**  
**43 weeks to 1 August 2009**

**Trading**

Our performance continues to be resilient with sales trends showing some further improvement since the end of the first half-year on 4 April 2009, despite the recent wet weather. We have achieved encouraging sales growth in Marston's Inns and Taverns; there has been no material change to previously reported trends in Marston's Pub Company; and in Marston's Beer Company our premium ale brands have maintained strong sales momentum in the on-trade and the off-trade.

Group turnover was 1.9% below last year for the 43 week period compared to the 2.8% decline previously reported for the 26 weeks ended 4 April 2009.

In Marston's Inns and Taverns, our managed pub division, like-for-like sales in the 43 week period were 1.2% below last year. This reflects improved trading since March including like-for-like sales growth of 2.3% in the last 6 weeks to 1 August. Food like-for-like sales continue to be strong, up by 2.2% in the 43 weeks and by 6.0% in the 6 weeks to 1 August. Food sales now represent approximately 38% of total retail sales. Operating margin trends continue to be in line with those reported for the first half-year largely driven by tight cost controls; an easing of food input cost inflation; and the careful management of promotional offers.

In Marston's Pub Company, around 80% of our estate is on substantive agreements which demonstrate the long term commitment of the licensee to the pub, and profits in these pubs continue to be in line with last year. We are committed to developing long term solutions for the remainder of the estate. The "Tracker" variable rent agreement launched earlier this year has been well received, with around 100 tenants now having signed up. In addition, we have recently launched an innovative franchise-style retail agreement that further reduces risk for the licensee whilst improving flexibility and the commercial offer to pub customers. In this agreement Marston's Pub Company defines and controls the pub's retail offer and is responsible for all operating costs with the exception of labour. The licensee is paid a turnover related sum to cover licensee remuneration and staff costs. Results from the 10 pubs currently operating under this agreement have been encouraging, and we plan to extend it to around 80 more pubs in the next financial year.

In Marston's Beer Company our aim is to market a wide range of high quality beer brands with strong local provenance, together with national marketing investment in Marston's Pedigree. This differentiated strategy is achieving good results. In the 43 weeks to 1 August own brewed ale volumes increased by around 13%. Premium ale volumes increased by 31% and now represent 53% of the ale portfolio. On a like-for-like basis we estimate that our market shares in premium cask ale and premium bottled ale have both increased by around 1% in the current financial year. Of particular note is the performance of Marston's Pedigree 'The Official Beer of England Cricket' which has seen off-trade bottle volumes more than double since the end of the first half-year on 4 April 2009.

## **Financing and cash flow**

Net debt and cash flow are in line with our expectations. We remain on target to realise around £20m from the disposals of smaller pubs and other properties in the current financial year, and have achieved book values overall on sales to date. Capital expenditure continues to be controlled carefully.

Following the extension of our bank facility announced earlier in the year we have no further refinancing requirements until August 2013.

On 22 July 2009 we announced that the rights issue had been completed successfully, raising net funds of £165 million. As announced previously, we anticipate that approximately £140 million will be invested in developing around 60 new managed pubs over the next 3 years. Marston's is a market leader in new-build pub development having opened over 50 new pubs and bars in the last five years.

We also intend to repurchase securitised bonds at an appropriate level of discount and to make selective pub acquisitions as and when good opportunities arise.

## **Progress made on new-build programme**

As a consequence of the rights issue we are able to take advantage of current market conditions to acquire excellent sites at attractive prices and to build new, high quality managed pubs which target the growing part of the pub-restaurant market. We are making good progress with development already underway on sites in Caterham, Surrey; Ashbourne, Derbyshire; Aylesbury, Buckinghamshire; and shortly to commence on a site in Sittingbourne, Kent. By the end of the current financial year we expect development to have started on 9 sites and plan to open 15 new pubs in the next financial year.

## **Legislation – BEC enquiry**

There have been no further legislative developments since the Interim Results announcement on 22 May 2009, although decisions are awaited in respect of possible reviews relating to tenanted and leased pubs by both the Office of Fair Trading (OFT) and the Competition Commission. 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 the licensee. We are adapting the model where appropriate to assist 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**

Although we remain cautious because of the current challenging economic and trading environment, we are confident of meeting our expectations for the year. We are encouraged by the robust performance of the business which reflects the high quality of our pubs; our value for money offers; the popularity of our ale brands; and the continued implementation of our stated approach. We have a differentiated strategy and, in our accelerated new build programme, a significant development opportunity from which we aim to deliver good and sustainable returns.

**Enquiries**

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