



28 March 2007

## **Marston's PLC**

### **Pre-close Trading Statement**

In accordance with its usual practice, the Board of Marston's PLC issues the following trading update prior to the end of the first half of the current financial year on 31 March 2007.

#### **Trading**

Trading overall in the 24 weeks to 17 March 2007 has been satisfactory and in line with expectations.

In Marston's Inns & Taverns, our managed pub division, like-for-like sales were 7.0 % ahead of last year in the 24 weeks to 17 March 2007, including like-for-like food sales growth of 13.9 %.

In Marston's Pub Company, our tenanted and leased pub division, trading has been satisfactory with continued growth in average profit per pub compared to last year.

Total beer volumes remain below last year in Marston's Beer Company, although premium ale volumes and market share have increased. Marketing investment in premium ale, particularly Marston's Pedigree, has been increased through sponsorship of the England and Wales Cricket Board (the 'ECB') and, more recently, becoming the principal sponsor of Sky Sports televised coverage of the Cricket World Cup.

Underlying margins have been in line with expectations and costs well controlled, notwithstanding significantly higher energy costs and the 5.9% increase in the minimum wage from October 2006.

#### **The Eldridge Pope estate ('Eldridge Pope')**

Eldridge Pope was acquired on 25 January 2007 for £155.1 million. Performance since acquisition has been strong and in line with expectations. Like-for-like sales growth in the 95 managed pubs in the 24 weeks to 17 March 2007 was similar to that achieved in Marston's Inns and Taverns.

As expected, the trading profit contribution from Eldridge Pope to our half-year results will be modest due to seasonality and the fact that, as planned, synergies of approximately £4.6 million per annum will start to be realised from April 2007. The integration of Eldridge Pope is well advanced, with full systems integration anticipated from 31 March 2007.

The acquisition of Eldridge Pope is expected to be earnings enhancing in the first full financial year following the acquisition, and broadly earnings neutral in the current financial year.

#### **Estate development**

In the first half-year, Marston's Inns and Taverns has opened 7 new managed pubs: in Brighton, London, Hertfordshire, Cheshire, Nuneaton, Bristol and Exeter. We expect to open around 20 new sites or acquired managed pubs this year. Our new build programme continues to offer attractive growth opportunities and returns.

Marston's Pub Company has acquired 42 tenanted or leased pubs to date, including the acquisition of Sovereign Inns, an estate of 33 freehold pubs across the Midlands, for £19.4 million on 16 January 2007. Our first 'new-build' tenanted pub in Devizes, Wiltshire is expected to open in the second half-year.

## **Share buy-backs and financing**

On announcing the acquisition of Eldridge Pope we confirmed our intention to return around £100 million to shareholders this financial year, subject to retaining the flexibility to make further acquisitions should suitable opportunities arise. Accordingly, during February and March 2007 we purchased and placed in treasury 9.1 million shares at a total cost of £40.2 million.

New bank facilities of £500 million have been put in place to finance the acquisition of Eldridge Pope, to provide funds for the return of capital to shareholders, and to refinance an existing £275 million facility.

The share buy-back programme will be earnings enhancing this year and thereafter reflecting the more efficient balance sheet structure. The impact on interest costs of funding the share purchase programme and the acquisition of Eldridge Pope will be approximately £2 million in the first half-year. Therefore, we expect earnings per share for the first six months to be ahead of last year with profit before tax and exceptional items in line with the prior year period.

## **Outlook**

The impact of the smoking ban in Wales from April 2007 and in England from July 2007 is uncertain, but our investment plans are very well advanced. Over 90% of our pubs have gardens, patios or some form of outside trading area, and we have made excellent progress in developing our food offers in Marston's Inns and Taverns. Food sales now make up 33% of total retail sales within our managed pubs. The high quality of our estate and operational approach is enabling us to deliver good growth in today's trading environment.

Our integrated business model provides us with wider investment opportunities and increased operational flexibility. The Board remains confident that our strong balance sheet, relatively conservative financing and strong cash flow will allow us to continue to target further investments meeting our return on capital criteria.

## **ENQUIRIES:**

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