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MARSTON'S®

Interim Results 2011

Pitcher & Piano, Newcastle

Highlights

1. **Encouraging performance against challenging consumer backdrop**
   - Revenue and profit growth, margins broadly level

2. **Focused and consistent growth strategy**
   - New-builds performing ahead of target
   - Continued roll out of Retail Agreement, performing in line with expectations

3. **Interim dividend of 2.1p per share with improving cover**

4. **Clearly defined growth plans**
   - Sustainable growth, improve ROC, reduce leverage

Improving performance and clear strategy

Andrew Andrea

Finance Director

Financial summary

26 weeks	2011	2010	% change
Revenue	£317.9m	£309.2m	+2.8%
Operating Margin	20.9%	21.2%	(0.3)%
EBITDA	£86.8m	£85.5m	+1.5%
Operating Profit	£66.4m	£65.5m	+1.4%
Profit before tax*	£29.2m	£27.8m	+5.0%
Adjusted EPS*	4.1p	3.8p	+7.9%

Interim Dividend	2.1p	2.1p	Level
Dividend Cover	1.9x	1.8x	+0.1x

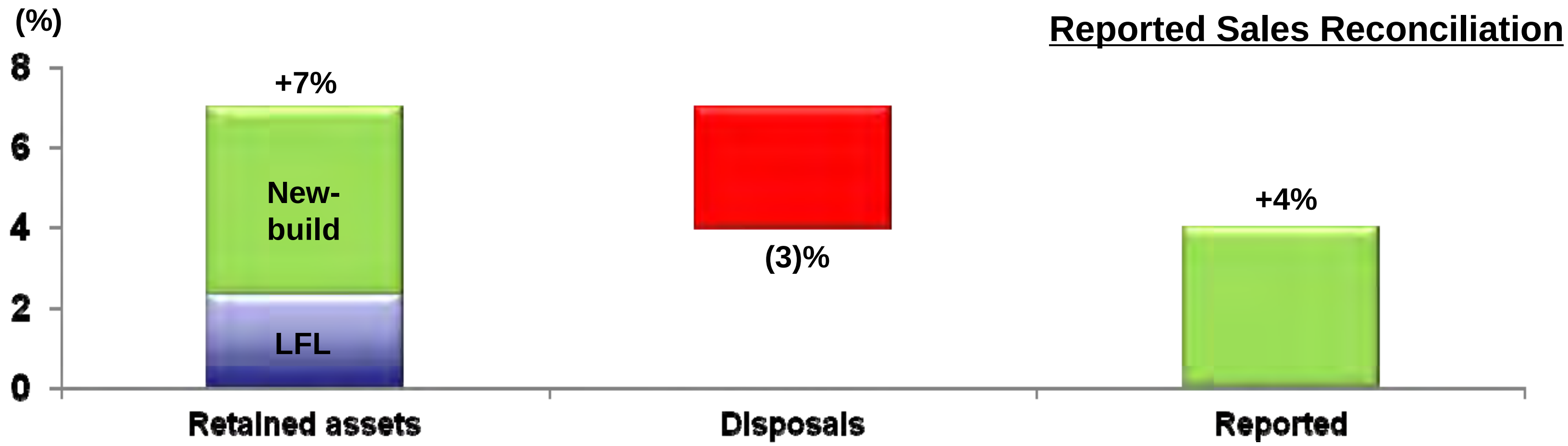
** before exceptional items*

Revenue and profit growth, dividend cover improving

Sales performance

Like-for-like sales* % change	26 weeks to 2 April	32 weeks to 14 May	9 weeks to 14 May	Sales Mix
Drink	+1.5%	+2.7%	+5.4%	55%
Food	+4.7%	+5.0%	+5.6%	41%
Total	**+2.4%**	**+3.2%**	**+5.0%**	

Excludes any pubs acquired in last two years

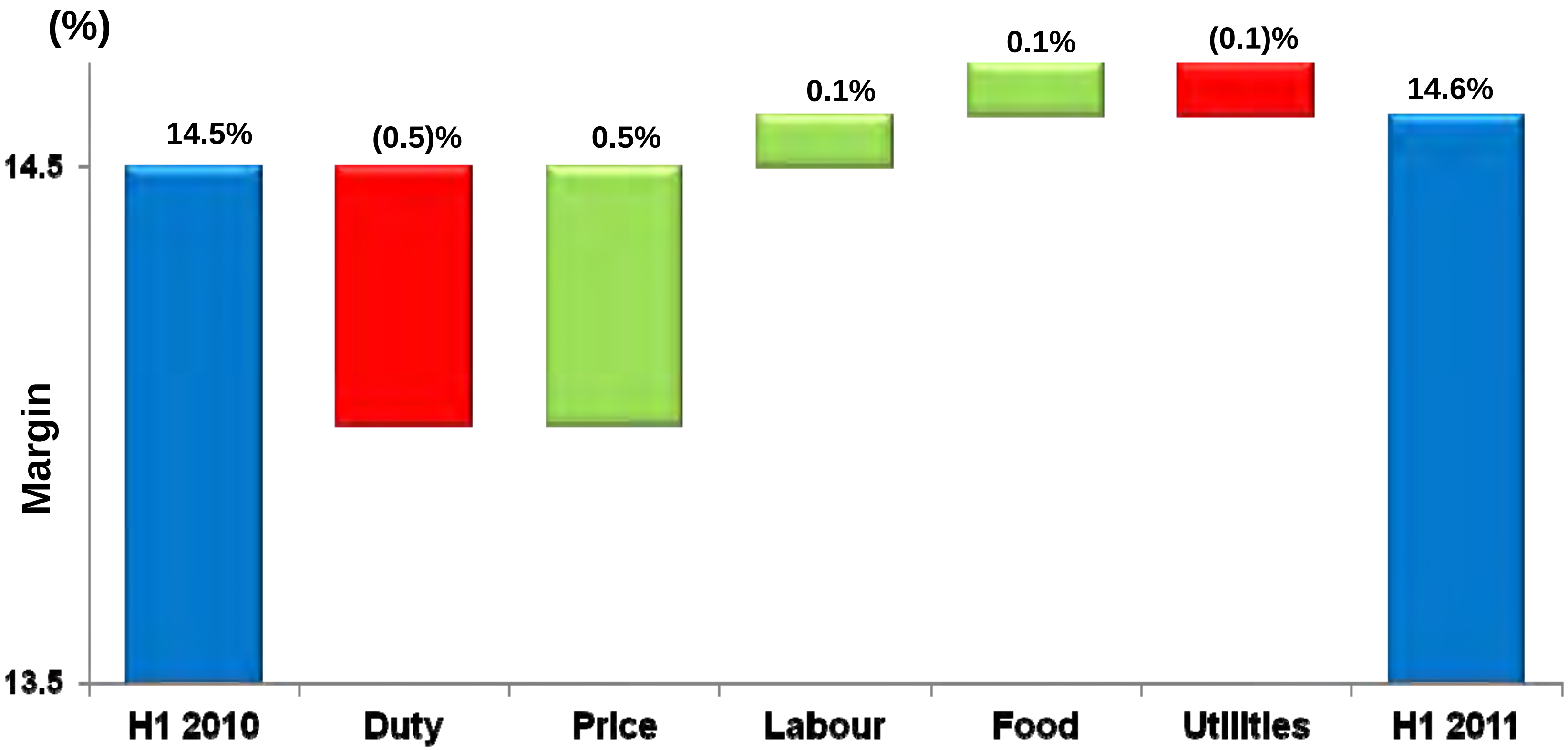


Improving sales trends, food mix increasing

MARSTON'S

INNS AND TAVERNS

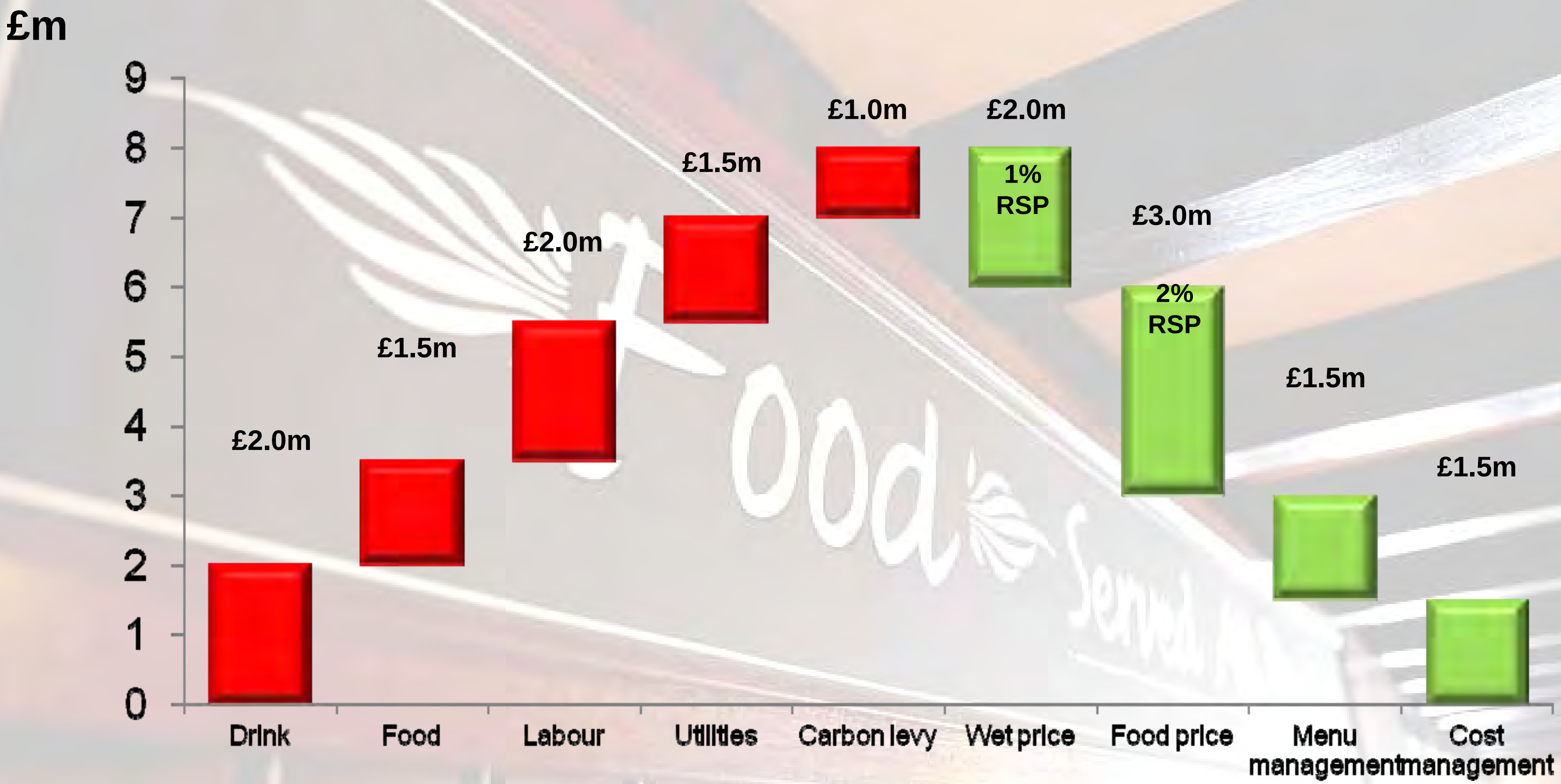
Retail margin performance



Continuing the improved margin performance

2012 cost outlook

MARSTON'S INNS AND TAVERNS



Longer-term cost pressures will be mitigated

MPC segmented: 2011 performance

	Long-term leases	Retail Agreement estate	Total
No. of pubs	c1,000	c600	c1,600
Turnover	+0.2%	+15.2%	+4.5%
Rent	+2.7%	n/a	
Margin %	+0.3%	(3.2)%	(1.9)%
Profit	£34.1m	£4.5m	£38.6m
YOY EBIT %	+0.8%	(3.3)%	+0.3%

STABILITY **OPPORTUNITY**

32 weeks to 14 May 2011: YTD EBIT growth of 0.4%

Long-term leases stable, Retail Agreements delivering growth

MARSTON'S BEER COMPANY

Strong performance maintained

1. **Revenue performance**
   - Strong group ale sales
     - Group ale volumes up 4%
     - Premium cask ale up 4%, bottled ale up 15%
   - Offset by:
     - Timing of Easter
     - Market driven decline in Free Trade lager sales; account distribution in growth

2. **Improved margin and profit performance**
   - Margin increased by 0.5% due to lower lager mix
   - Operating profit up 1.4%

3. **2012 cost outlook**
   - Circa £1.0m of cost inflation – primarily energy and barley
   - Will be mitigated mainly through price and improved production/distribution efficiency

Ale revenues in growth, stronger margins, cost outlook manageable

Cashflow summary

£m	H1 2011	H1 2010	YOY	Comments
Operating cashflow	**79.0**	**81.3**	**(2.3)**	£10m higher tax payments
Net interest	(36.6)	(36.9)	0.3	
Pre-investment FCF	**42.4**	**44.4**	**(2.0)**	
Net capex*	(42.4)	(31.4)	(11.0)	New-build/Retail Agreements
Pre-dividend FCF	**-**	**13.0**	**(13.0)**	
Final dividend	(21.0)	(21.0)	-	
Net cashflow	**(21.0)**	**(8.0)**	**(13.0)**	

** Includes disposal proceeds*
FCF = Free cashflow

Strong free cashflow

Financing structure

	£m	
Securitisation	1,050	• FCF cover: 1.5x vs covenant >1.1x • EBITDA cover: 1.7x vs covenant >1.5x
Bank facility	111	• Interest cover: 4.4x vs covenant >3.0x • Debt to EBITDA: 1.9x vs covenant <4.5x
	1,161	• 100% at fixed rates
Net cash	(42)	
Debt issue costs	(14)	
Net debt	**1,105**	• Average cost of net debt c.6.9%

- 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

Stable and secure financing, focus on leverage reduction

1. **Consistent and focused strategy driving sustainable growth**
   - Momentum in all three trading divisions, tenanted now in growth
   - Strong margins despite inflationary pressures

2. **Strong cashflows**
   - Net debt in line with last year despite additional capital investment

3. **Financing**
   - Secure, stable and flexible finance structure
   - Focus on reducing leverage over time

Sustainable growth, strong cashflow and stable finance

Ralph Findlay

Chief Executive

Challenging environment requires growth strategy that is

- Appropriate and affordable
- Clear and focused
- Controllable and consistent
- Mitigates risk

Attractive growth opportunities exist with good returns

Clear divisional strategies

STRATEGY	KEY COMPONENTS	OBJECTIVES

STRATEGY

MARSTON'S

Exploit and develop competitive advantage in pubs and brewing sectors

KEY COMPONENTS

MARSTON'S INNS AND TAVERNS
- 'F-Plan'
- New-build investment

MARSTON'S PUB COMPANY
- Innovative agreements
- Greater control of retail offer

MARSTON'S BEER COMPANY
- Localness
- Premium ales

OBJECTIVES

MARSTON'S

1. Sustainable growth
2. Lower gearing ratios
3. Increased ROC

A clear strategy focused on growth and return

'F-Plan': differentiation in food retailing

Pub standards

- pub-restaurants, NOT restaurants
- design: 'F-Plan' target customers
- driven by consumer research
- external space – gardens project
- consistent signage

Quality

- menu/design/range
- portion size
- attractive 'specials' boards
- provenance, freshness
- ingredients specification
- standards audit

Service

- table service extended
- structured in-house training
- effective labour scheduling
- on-line direct marketing
- social media
- 'Empathica' insight

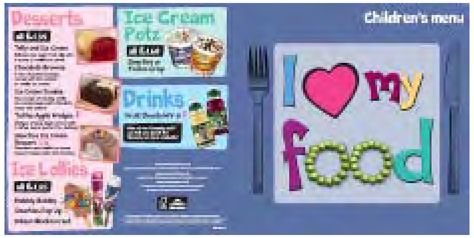
Price

- average food spend > £6
- economies of scale
- fixed price supply contracts
- menu flexibility
- targeted promotions

Objective: premium standards, value prices

'F- Plan' growth drivers

Value	Service	Growth
Main meal prices +1.5%	Maintained quality and portion size	Volumes +10%
Starters, desserts and coffee prices held	Extended table service and upselling	Starters +17% Desserts +12% Coffee +11%
Children's prices held	Family friendly	Children's meals +10%



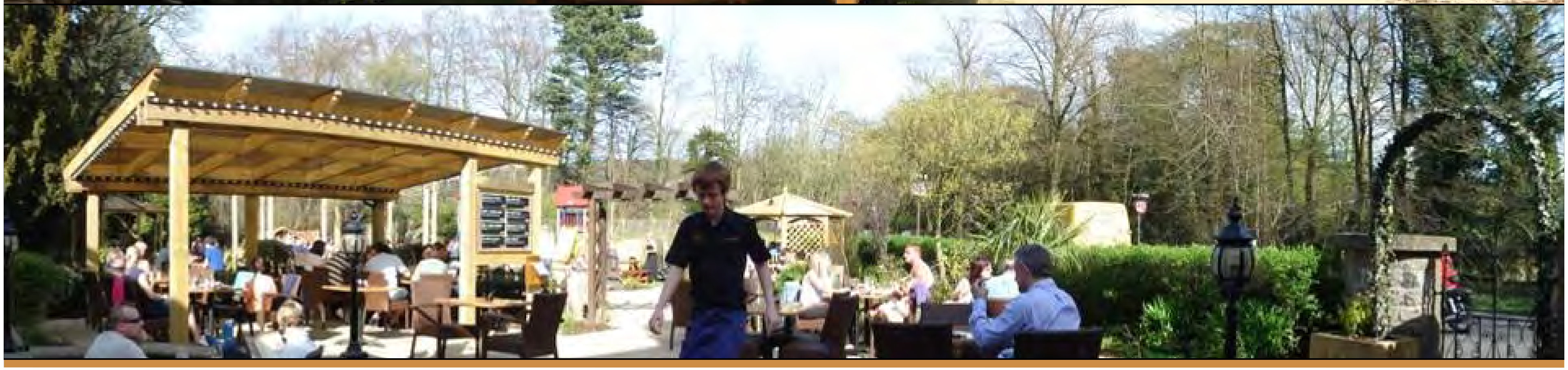
midas menu innovation & development awards

- Average weekly turnover **+4%**
- Profit per pub **+5%**

Great value and quality service drive profit growth and higher returns

Pub investment consistent with 'F-Plan'

Wheatsheaf, Baslow



Core estate investment of £10 million driving organic growth

New-build performance

MARSTON'S INNS AND TAVERNS

	2009 target	Pre 2010 sites	Post 2010/11 sites
Turnover per week	£20k	£21k	£27k
EBITDA conversion	**30%**	**31%**	**32%**
Food mix	55%	56%	64%
Food spend per head	**c.£6.00**	**c.£6.00**	**c.£6.50**
EBITDA ROC*	15%	17.1%	18.6%
LFL sales		**+2.8%**	

**annualised pro-forma*

Strong performance continues; investment at 5.4x EBITDA

MARSTON'S
INNS AND TAVERNS

New-build pipeline

2011 - 20 new pub-restaurants		
Uttoxeter	Fakenham	Bishop Auckland
Huddersfield	Northwich	Derby
Trowbridge	Norwich	Peterborough
Mansfield	Wincanton	Amesbury
Southend	Hendon	Cambridge
Cardiff	Spennymoor	March
Crediton	Gloucester	

Visibility and control of plans

- 2012: 25 sites identified
- 2013 – 2015: 25 sites per annum
- Retention of site-finding expertise

Golden Eagle, Mansfield

Visible pipeline for forseeable future

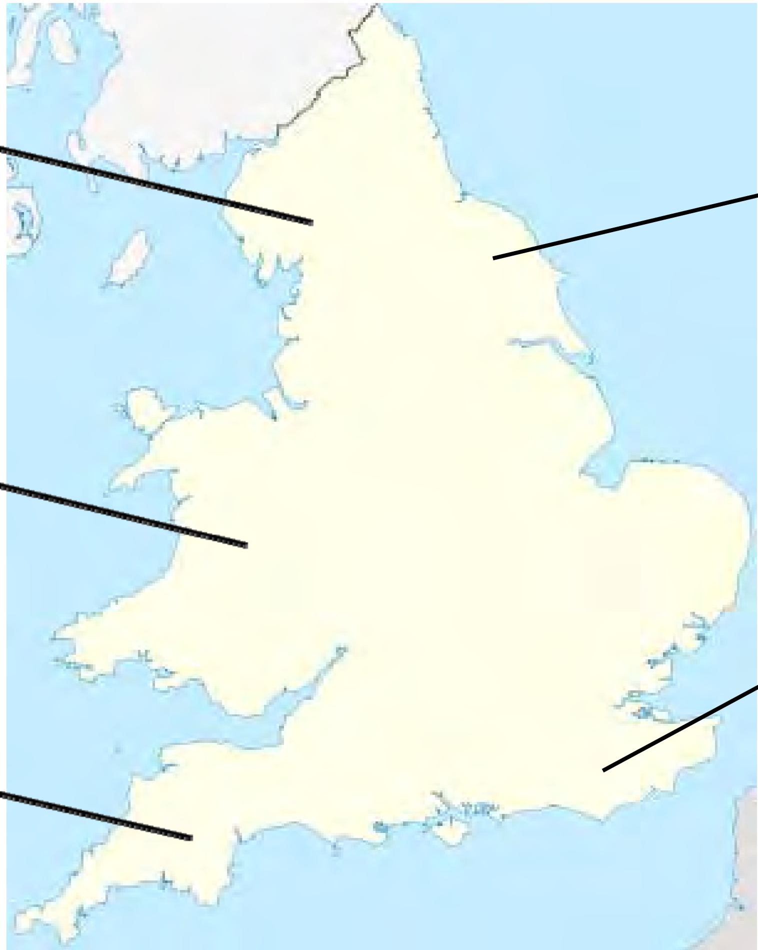
New-builds: regional performance

MAT Performance on new-build sites: 47 sites 2005-Dec 2010

North West
12 pubs
AWT: £25.4k
EBITDA ROI: 17.9%

Wales
5 pubs
AWT: £23.3k
EBITDA ROI: 19.8%

South West
6 pubs
AWT: £23.0k
EBITDA ROI: 16.3%

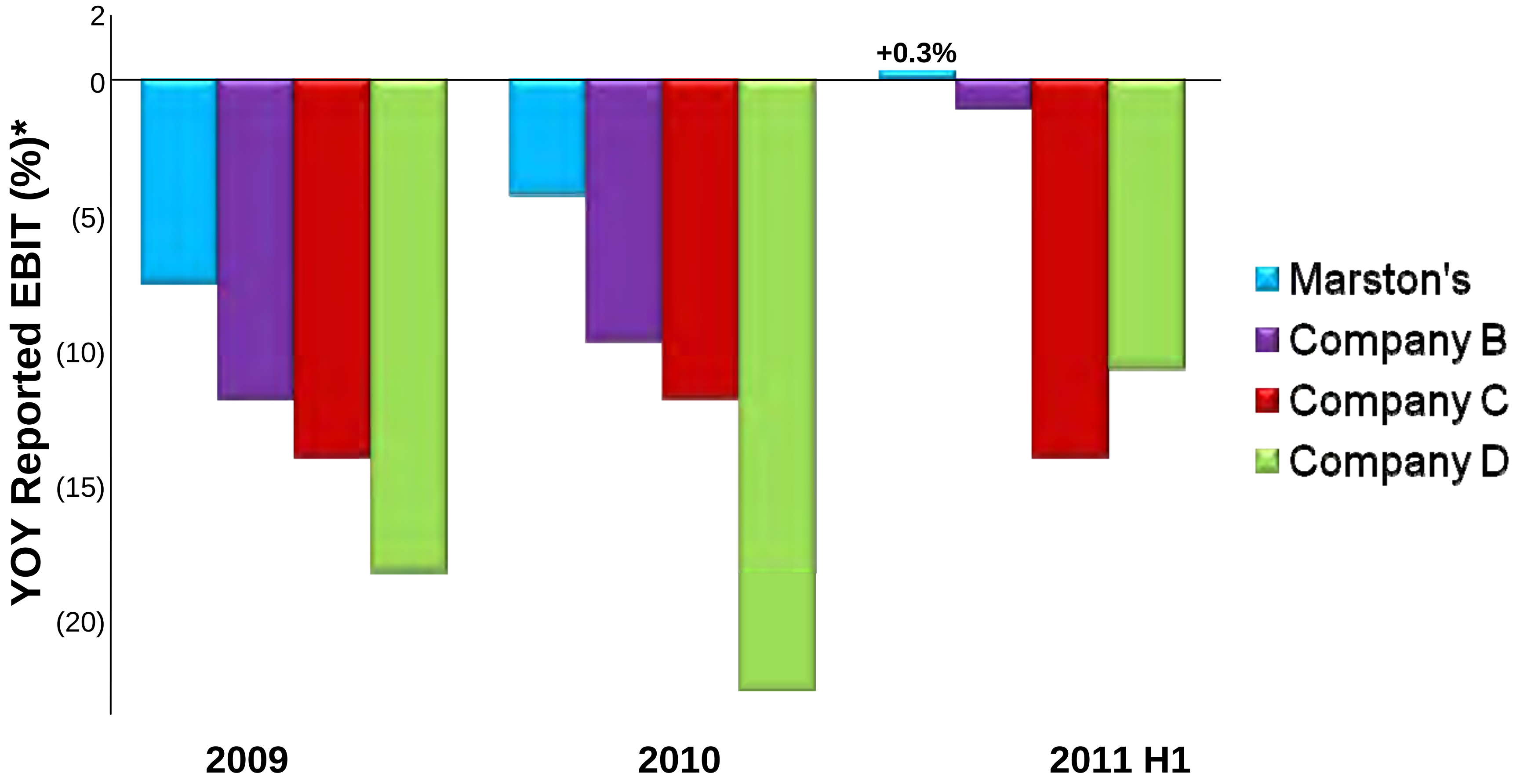


North East
9 pubs
AWT: £22.0k
EBITDA ROI: 17.3%

South East
15 pubs
AWT: £21.3k
EBITDA ROI: 17.5%

Strong trading across all regions, key factor is pub location and offer

Three year profit performance

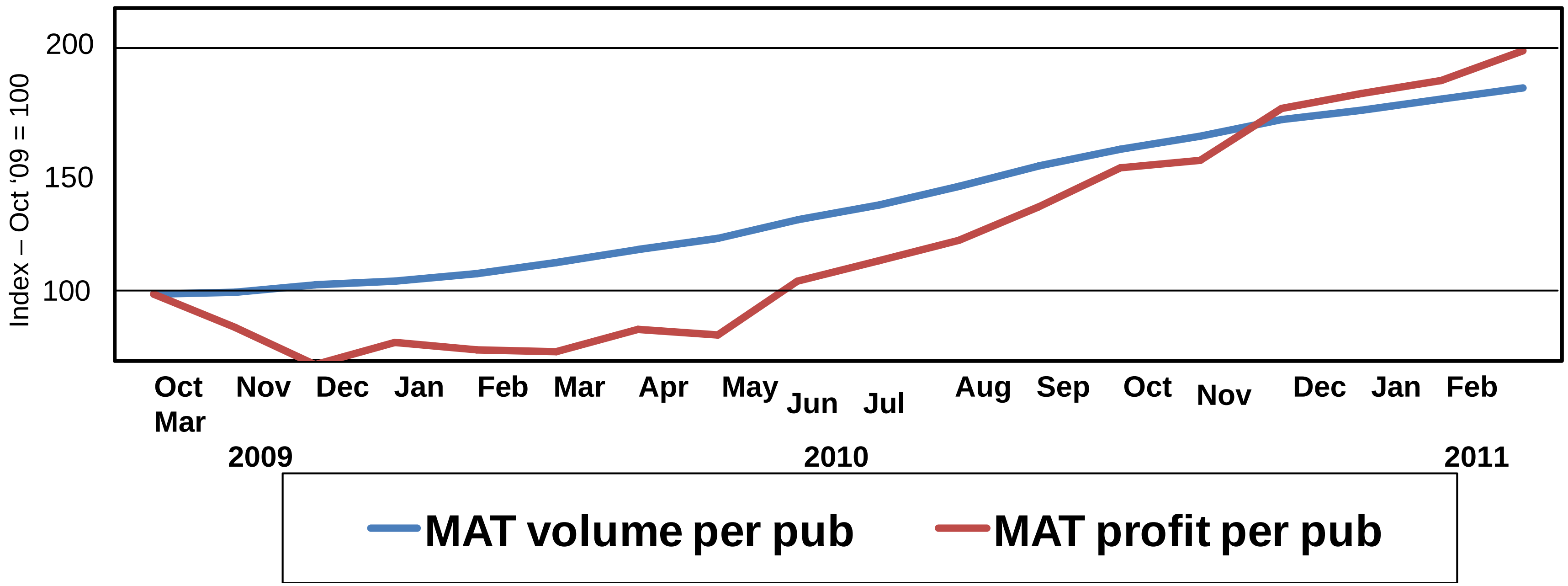


** Taken from latest peer group published results*

Best results in recession, 1st company to report return to absolute EBIT growth

Retail Agreement performance

104 Retail Agreement sites at September 2010
LFL profit and volume performance



Continuous improvement in established sites

MARSTON'S PUB COMPANY

Retail Agreement benefits

1. Higher number of applicants

- 3x higher than traditional tenancy
- Drawing from new markets
  - 30% from outside industry
- Seeking franchise accreditation

2. Higher retention

- Only one change from 104 sites in 2010
- Lower operating risk for licensee

3. Consistent consumer offer

- Well invested pub
- Value for money
- Managed house disciplines
- Visibility of trading

George, Winslow

4. Industry recognition

- Publican "Tenanted Pub Company of the Year" 2011
- Blueprint for other operators to adopt the model

Increased control over retail offer

Retail Agreements – licensee feedback

1. **Independent attitude survey: 132 responses (77%)***
   - Average score of 4 out of 5
2. **What attracted you to the agreement?**
   - Open and clear explanation of the agreement from the outset
   - Low risk and low cost of entry
   - Agreement is the attraction, not just the pub
   - Initial training investment
3. **How did you find out about the agreement?**
   - 38% from Marston's website, 26% from recommendation
4. **What is your background?**
   - 70% from the pub industry – half from outside Marston's
   - 30% from outside the industry – finance to armed forces
5. **Are you happy in the agreement?**
   - 85% making acceptable living or better
   - Retailers see the agreement as running their own business
   - Strong support from Marston's and their Area Manager
   - 93% would recommend to others

"You have full support running your own business – it's a partnership"

"It's a way of taking on a pub which minimises the risk open to you in the current climate"

"Training covered all the basics and everything we wanted to know"

"I love it – I come from a retail trade – the opportunity was given to us and it's been exceptional"

** Source: Elliott Marketing research April 2011*

Attractive to wide pool of operators – very positive licensee feedback

MARSTON'S PUB COMPANY

Development of lease agreements

1. c.1,000 pubs will continue to be operated as leases
- Entrepreneurial operators
- Good licensee stability - retention in excess of 90%
- Adapted well to the challenges of recession
  - like managed pubs

2. Continued agreement flexibility
- Free trade pricing model
- Free of tie options available

3. Selective capital investment to drive growth
- Pub standards a priority
- Selective opportunities to change offer, market position

Quality pubs with skilled operators, flexibility offered

MARSTON'S BEER COMPANY

'Localness' and 'Premium' add value

Own-brewed ale brand volumes +4%

1. 'Localness' – strong Free Trade performance

- 8% growth in independent free trade customers
- 6% growth in cask ale volumes
- 'Solution selling' adding value

2. 'Premium'

- Bottled ale market share up 1% to 26%*
  - Hobgoblin up 10%
  - Ringwood up 12%
  - Marston's up 4%
- Premium cask ale market share up 1% to 24%*

JENNINGS *Source: BBPA* MARSTON'S BANKS'S WYCHWOOD RINGWOOD

Unique: a local brewer with national distribution and a high service level

Summary

1. **Encouraging performance**
   - Revenue growth assisted by new-builds and Retail Agreements
   - Profit growth in all divisions; continuing in current trading
   - EPS growth and increased dividend cover

2. **Clear and focused strategy**

Appendices

MARSTON'S

2,146 pubs
+
BEER COMPANY

Marston's Pubs Limited

276	Managed pubs
1,561	Tenanted pubs
1,837	

Other Group companies

210	Managed pubs
99	Tenanted pubs
309	

+
BEER COMPANY

86% of pubs are securitised

Segmental analysis

	2011 £m	Interim 2010 £m	%
Turnover			
Marston's Inns and Taverns	181.7	175.4	3.6%
Marston's Pub Company	85.9	82.2	4.5%
Marston's Beer Company	50.3	51.6	(2.5%)
Marston's Group Services	-	-	-
Total	**317.9**	**309.2**	**2.8%**
EBITDA			
Marston's Inns and Taverns	36.5	35.3	3.4%
Marston's Pub Company	43.6	43.3	0.7%
Marston's Beer Company	11.6	11.5	0.9%
Marston's Group Services	(4.9)	(4.6)	(6.5)%
Total	**86.8**	**85.5**	**1.5%**
Operating Profit			
Marston's Inns and Taverns	26.5	25.5	3.9%
Marston's Pub Company	38.6	38.5	0.3%
Marston's Beer Company	7.3	7.2	1.4%
Marston's Group Services	(6.0)	(5.7)	(5.3)%
Total	**66.4**	**65.5**	**1.4%**
Margin %			
Marston's Inns and Taverns	14.6%	14.5%	0.1%
Marston's Pub Company	44.9%	46.8%	(1.9%)
Marston's Beer Company	14.5%	14.0%	0.5%
Marston's Group Services			
Total	**20.9%**	**21.2%**	**(0.3%)**
Finance Costs	(37.2)	(37.7)	1.3%
Profit Before Tax	**29.2**	**27.8**	**5.0%**

		2011	2010
Average Number of Pubs:	Marston's Inns and Taverns	488	494
	Marston's Pub Company	1662	1682

MARSTON'S PUB COMPANY

Retail Agreement: target – 600 pubs

1. Target EBITDA uplift - £10k per pub (20% EBITDA ROC) p.a.

Cumulative	2010	2011	2012	2013	2014
Retail Agreements	100	300	500	600	600
Target profit uplift £m	1.0	1.5	3.5	5.3	6.0

2. Key objectives

- Increased consumer appeal and consistency of offer
- Increased market share
- Response to market trends – 'F-Plan'
- Reduced overheads
- Reduction in % of income derived from traditional leased model

Clear growth plan focused on delivery of high ROC

Average number of shares in 2011			568.9m
Number of shares in issue as at 2 April 2011			568.9m
Additional dilutive number of shares			5.0m
		Forecast 2011	**Forecast 2012**
Tax rate		c.21%	22 - 24%
Capex	Existing business	c.£45m	£40 – 45m
	Retail Agreements	c.£10m	c.£10m
	New-builds/sites	c.£45m	c.£50m
		c.£100m	**£100-105m**
Disposal proceeds		c.£15m	c.£15m

MARSTON'S

Securitisation as at 2 April 2011

Securitisation results £m	Actual	
• Gross debt[(1)] outstanding as at 2 Apr 2011	1,050.2	
• EBITDA	131.3	
• Free cashflow (FCF)	114.2	
• Debt service (DSCR)	77.7	
Financial covenants	**Actual**	**Covenant**
• FCF : DSCR	1.5x	>1.1x[(2)]
• EBITDA : DSCR	1.7x	>1.5x[(3)]
• Net worth	£558.6m	£90m

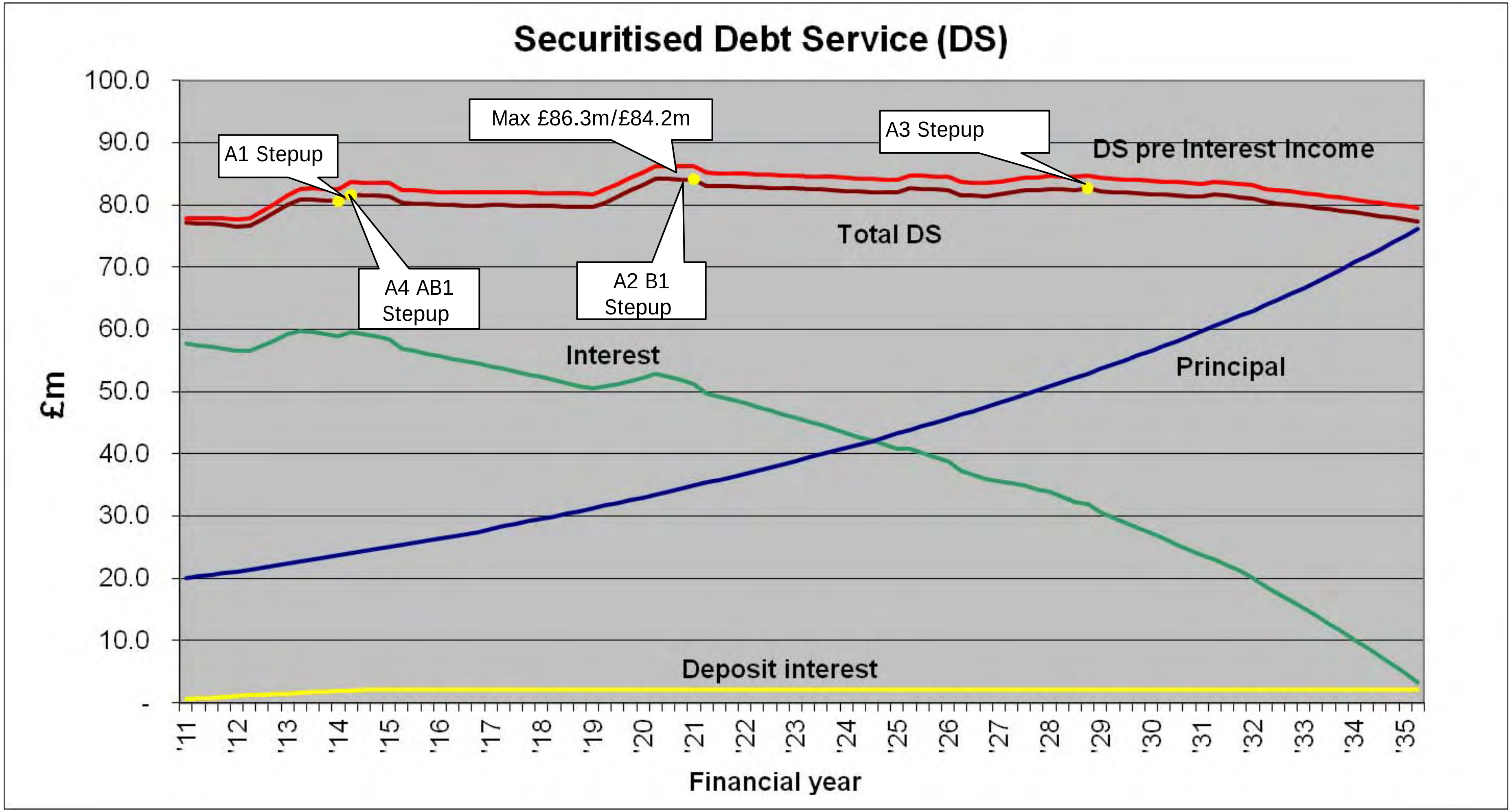
[(1)]before debt issue costs
[(2)]restricted payment covenant >1.3x
[(3)]restricted payment covenant only

Strong headroom on securitised covenants

Securitisation debt profile

Tranche	Type	Principal outstanding at 2/4/2011	Step-up Date	Final Maturity Date
A1	Floating	£169.2m	July 2012	2020
A2	Fixed/Floating	£214.0m	July 2019	2027
A3	Fixed/Floating	£200.0m	April 2027	2032
A4	Floating	£232.0m	October 2012	2031
AB1	Floating	£80.0m	October 2012	2035
B	Fixed/Floating	£155.0m	July 2019	2035
Total		**£1,050.2m**		

Securitisation profile



www.marstons.co.uk