Preliminary Results 2010

David Thompson

Chairman

Highlights

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**

Focused strategy and improving performance

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

Revenue and profit growth; earnings and dividend in line with expectation

Strong second-half

Group Highlights

- Group revenue
- PBT

Marston's Inns and Taverns

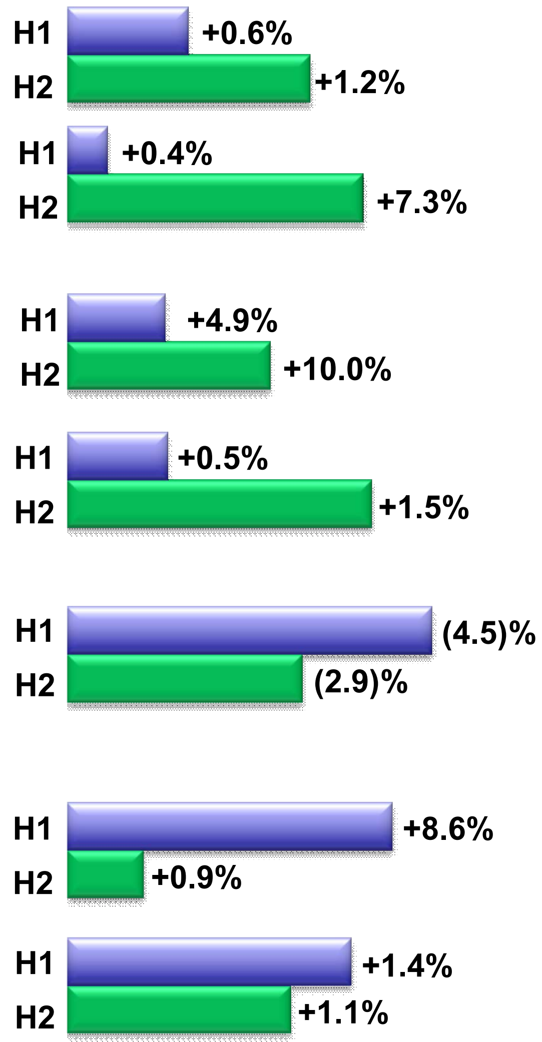
- Operating profit
- H2 Operating margin of 20%

Marston's Pub Company

- Operating profit

Marston's Beer Company

- Revenue
- Operating profit



Strong momentum into new financial year

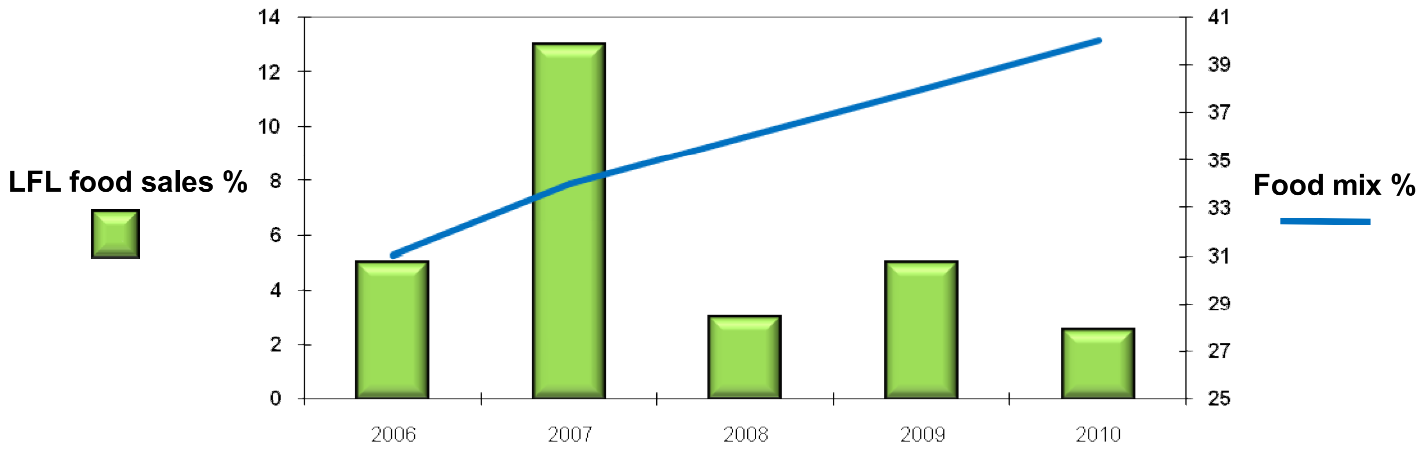
Like-for-like performance

2010 performance

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

Current trading

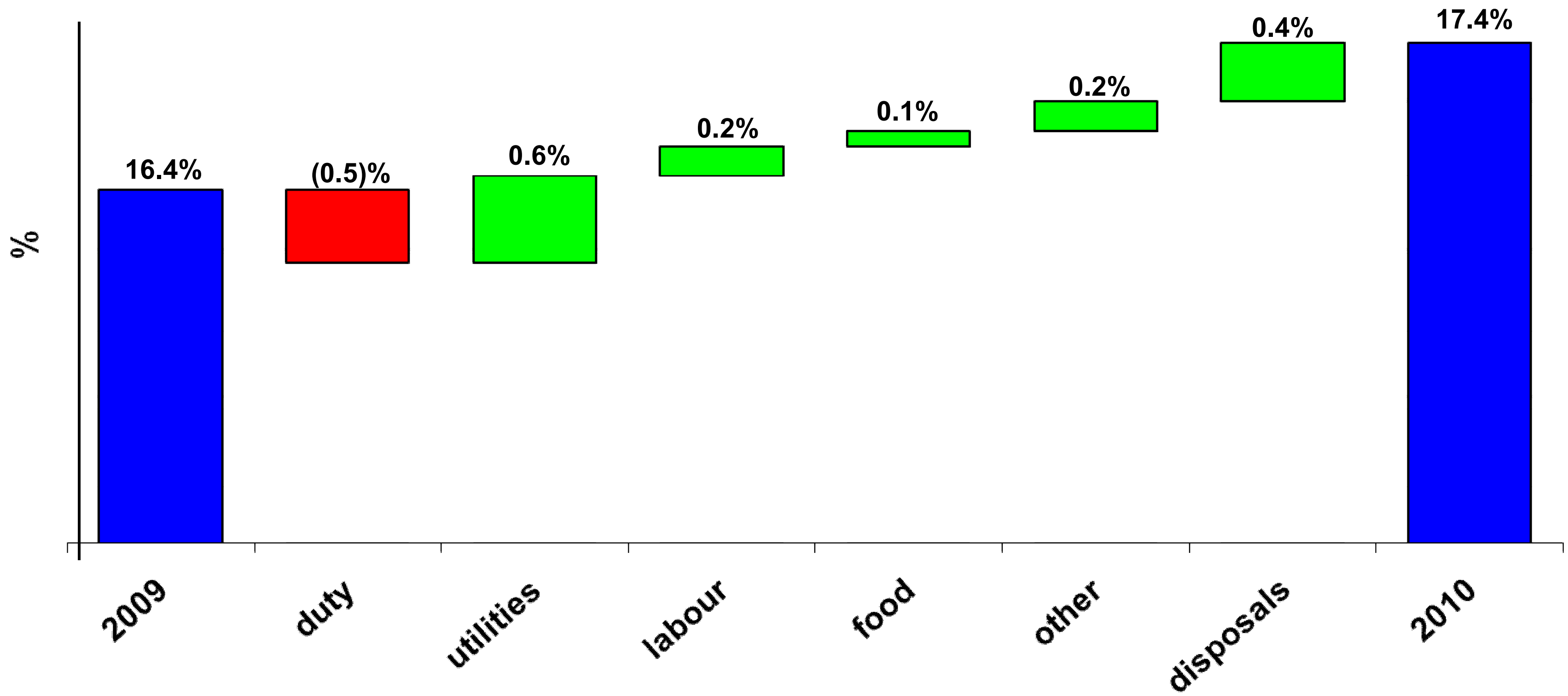
Like-for-like sales* for 8 weeks to 27 November	% change
Drink	+1.7%
Food	+5.8%
Total	+3.0%



* *excludes any pubs acquired in last two years*

Food mix continues to grow, drink sales positive

Retail margin performance



Margin up by 1% through tight cost control and disposals

MARSTON'S INNS AND TAVERNS

2011 cost outlook

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

MARSTON'S PUB COMPANY

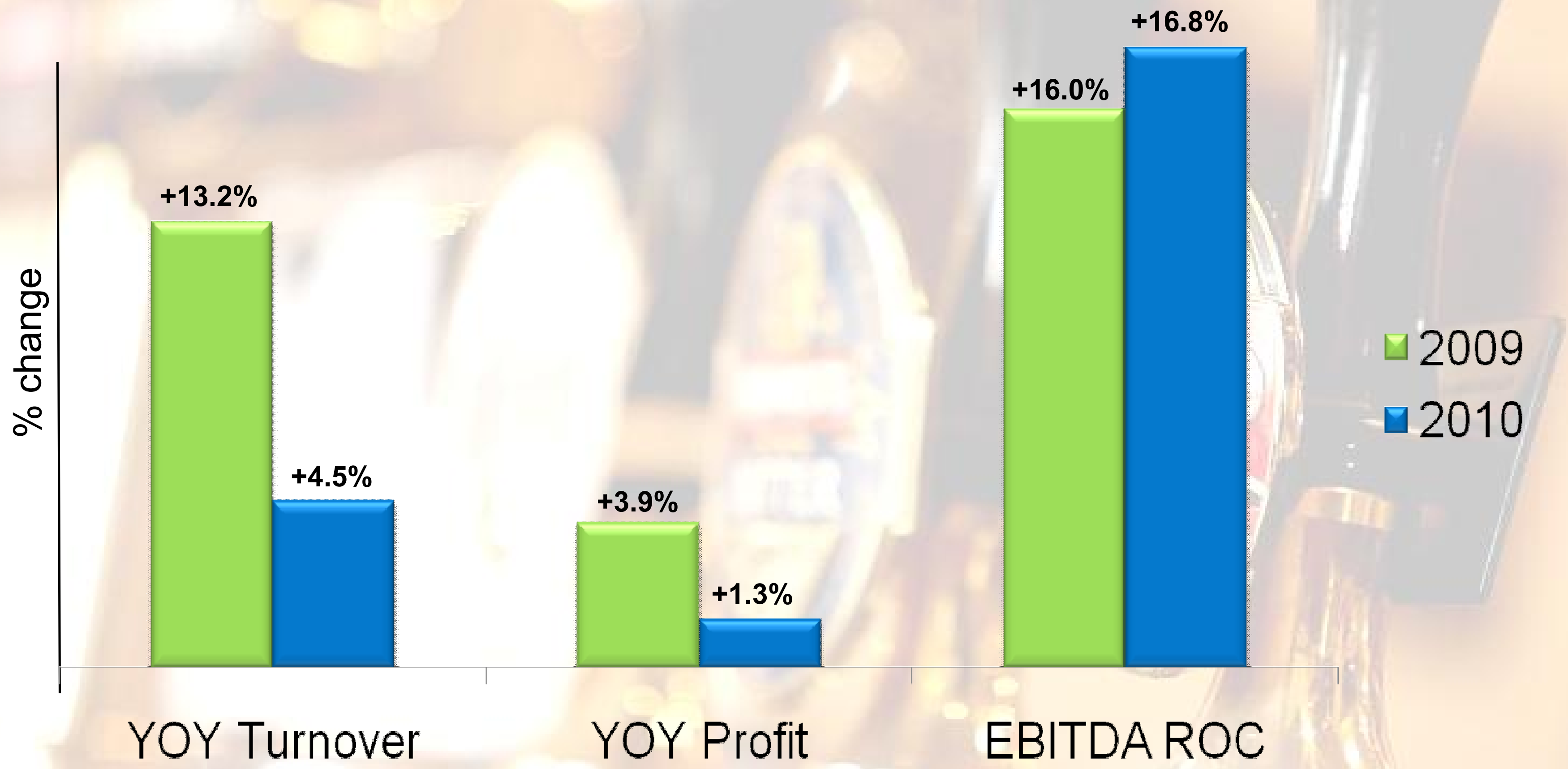
Divisional KPIs

	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

MARSTON'S BEER COMPANY

Continued progress



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

Stronger free cashflow despite increased capex

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*

Stable and secure financing, focus on leverage reduction

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

Summary

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

Profit in growth, stronger cashflow, stable finance structure

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
	Marston's Inns and Taverns: • 'F-Plan' • New-build investment	
Exploit and develop competitive advantage in pubs and brewing sectors	Marston's Pub Company: • Innovative agreements • Greater control of retail offer	• Sustainable growth • Lower gearing ratios • Increased ROC
	Marston's Beer Company: • 'Localness' • Premium ales	

A clear strategy focused on growth and return

'F-Plan' drives transformation

'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%**

A higher quality business adapting to today's consumer

MARSTON'S INNS AND TAVERNS

New-builds drive higher returns

	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*

Strong financial performance from hand-picked, well located sites

Projection: returns to increase

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

Importance of food retailing skills continues to increase

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

The 'bar' for long-term success has been raised

MPC segmented: 2010 performance

	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

Retail Agreements: breaking the mould

MARSTON'S PUB COMPANY

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

PHOENIX FOOD PUB OF THE YEAR 2010

Effective, sustainable and motivating for licensees

MARSTON'S PUB COMPANY

Long-term leased pubs

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

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

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**

Proactive response to market conditions and regulatory concerns

MARSTON'S BEER COMPANY

‘Localness’ adds value

1. **‘Localness’**
   - Provenance, tradition, heritage, authenticity

2. **Signals of ‘Localness’**
   - Brewing, distribution, marketing

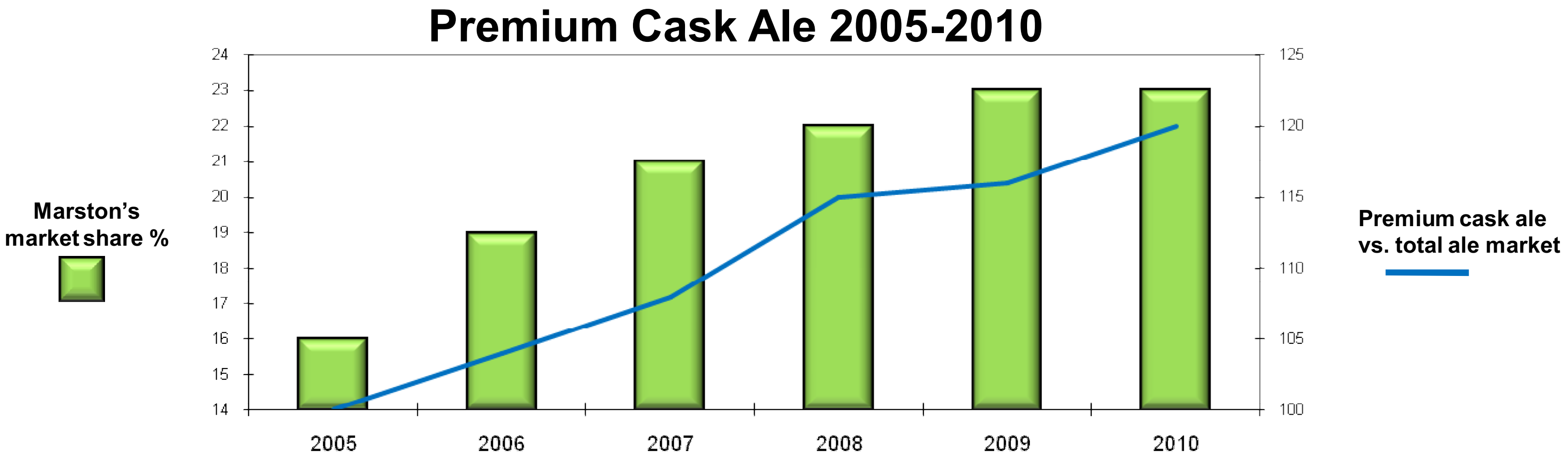
3. **Competition**
   - Regional brewers, micro brewers

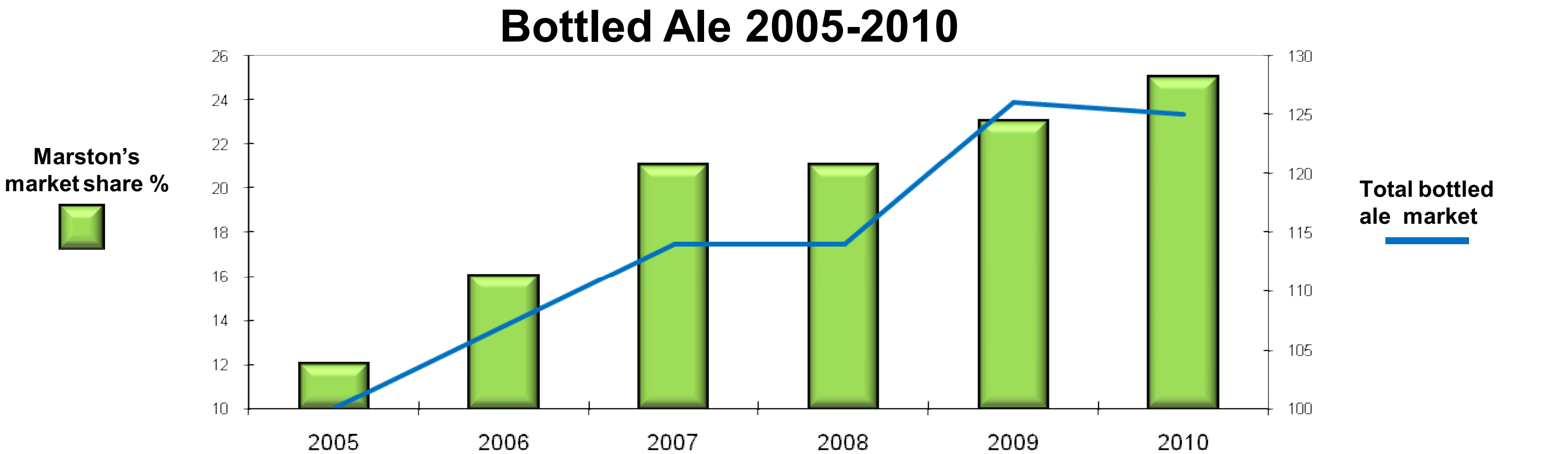
4. **Marston’s competitive advantage**
   - Genuinely local
   - National distribution, cost-efficient
   - Industry-leading guest ale programme

5. **Measuring success – Free Trade outperformance**
   - Volume +10%, premium cask ale +18%, sales +13%, profit +10%
   - Account base +11%

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

Market leader in premium cask, bottled ale





**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

‘Best in class’ service to our consumers and to our customers

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

Aim: appropriate structure for management, governance and continuity

Summary

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**

Improving trends, clear agenda for growth

Appendices

MARSTON'S

MARSTON'S

2,153 pubs

+

BEER COMPANY

Marston's Pubs Limited

273	Managed pubs
1,563	Tenanted pubs
1,836	

Other Group companies

216	Managed pubs
101	Tenanted pubs
317	

+

BEER COMPANY

85% of pubs are securitised

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	

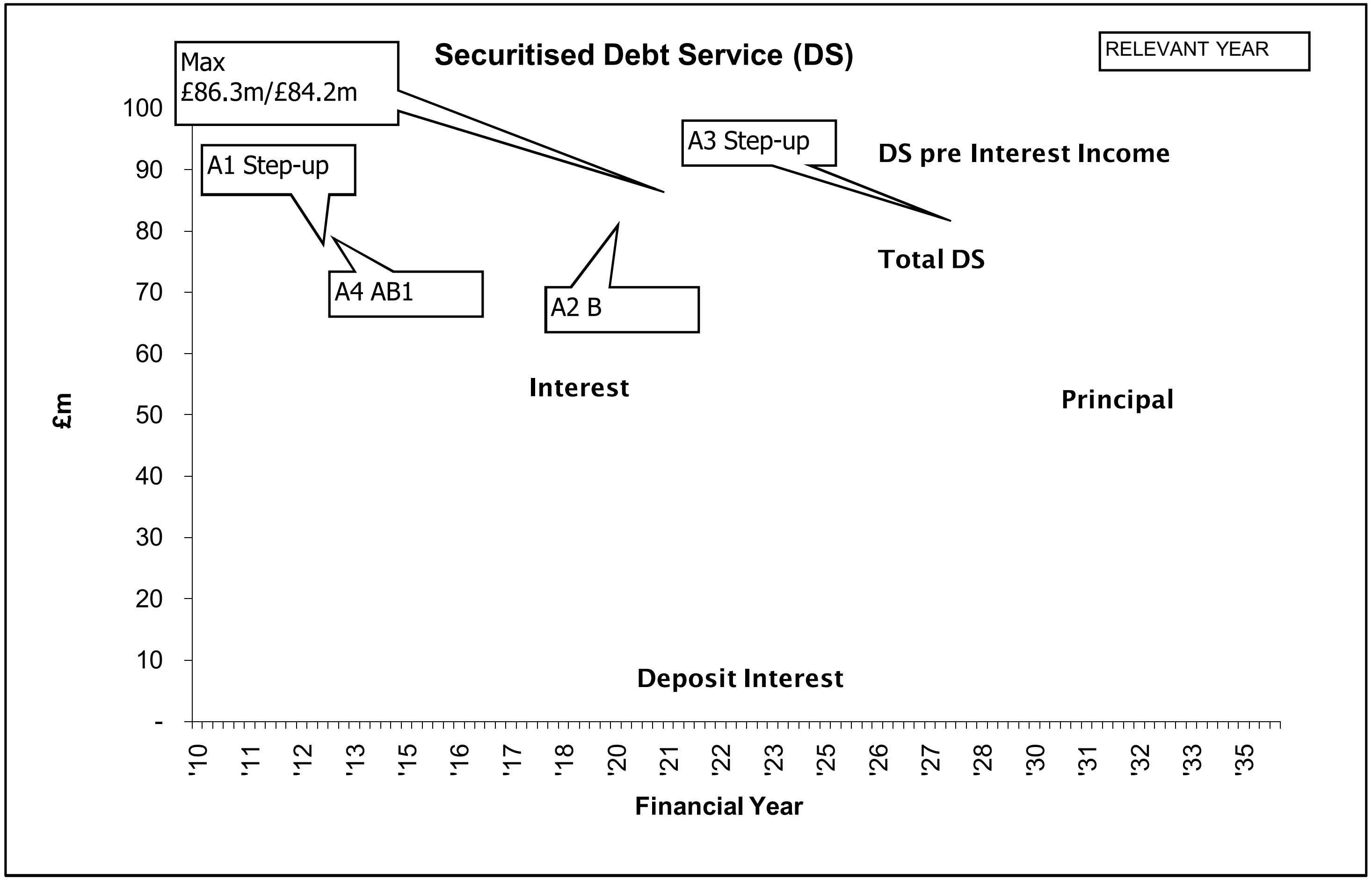
- Average number of shares in 2010 568.8m
- Number of shares in issue as at 2 December 2010 568.8m
- Additional dilutive number of shares 2.0m

			Actual 2010	Forecast 2011
•	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

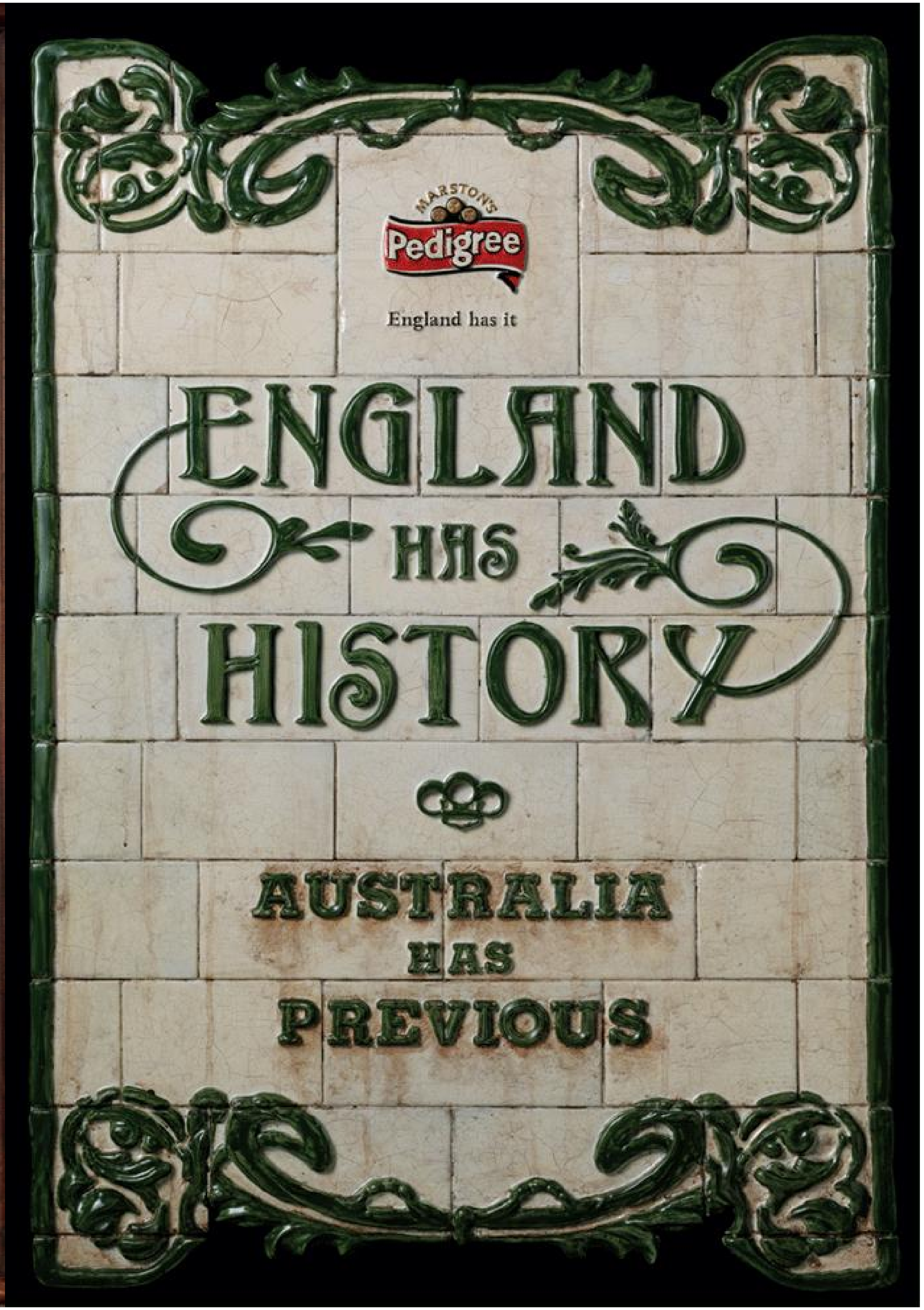
Securitisation debt profile

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**		

Securitisation profile




MARSTON'S
Pedigree
England has it
WE HAVE BEER IN OUR BLOOD
AUSTRALIANS HAVE LEMON JUICE IN THEIR HAIR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ENGLAND HAS HISTORY
AUSTRALIA HAS PREVIOUS

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