



4 October 2007

**Marston's PLC ('Marston's')**

**Close Period Trading Update**

In accordance with its usual practice, the Board of Marston's PLC reports on trading for the 52 weeks ended 29 September 2007. The preliminary results are expected to be announced on 30 November 2007.

**Trading**

Overall the Group continues to benefit from targeting the growing pub food market in both managed and tenanted pubs. Marston's Beer Company is also achieving growth and greater market share in its key ale brands.

In our interim results statement on 25 May 2007 we reported strong first-half trading. Legislation to ban smoking in public places was introduced in Wales on 2 April and in England on 1 July. Planned investments in outside trading areas were completed before the ban came into effect, and there has been no discernable impact on trading to date. Trends seen in the first half-year, including strong growth in food sales, have continued.

The unseasonal weather over the summer included severe flooding in June and July which directly affected approximately 150 pubs, with all but 5 having re-opened by the financial year-end. With the exception of the short term impact of these weather conditions trading has been in line with expectations.

In Marston's Inns & Taverns, which now comprises 550 managed pubs, like for-like sales growth for the year was 4.6% despite the poor summer weather and the benefit of the World Cup in 2006. Like-for-like wet sales increased by 0.6% and food sales, which now represent 34% of total retail sales, increased by 13.3% on the same basis.

**Marston's Inns and Taverns like-for-like sales growth - % change\***

	<b>33 weeks to 19 May**</b>	<b>10 weeks to 28 July</b>	<b>4 weeks to 25 August</b>	<b>5 weeks to 29 September</b>	<b>52 weeks to 29 September</b>
<b>Food sales</b>	13.5	9.2	17.2	13.4	13.3
<b>Total sales</b>	6.6	(2.3)	9.6	2.8	4.6

\*including pubs affected by flooding

\*\*as reported in the interim results statement on 25 May

A strong first-half performance continued during April, but trade weakened in May, June and July as a consequence of unseasonal weather and flooding. Since the end of July like-for-like sales growth has been strong notwithstanding the introduction of the smoking ban. The performance of the Eldridge Pope managed estate, acquired in January 2007, has been in line with our expectations.

Marston's Inns & Taverns organic development included the opening of 19 new outlets in the year, mainly new-build pubs. We expect to open 20 new outlets in 2008.

In Marston's Pub Company, which comprises 1,722 tenanted and leased pubs, estimated average profit per pub increased by around 13% after allowing for the effect of the disposal of 279 pubs to aAim Group in May 2007, demonstrating the improving quality of the estate. Like-for-like profit per pub, including pubs affected by flooding, is estimated to have increased by approximately 3%.

Marston's Beer Company performed strongly and ahead of the market, with core ale brand volumes up by over 6% overall. Our premium ale brands have continued to show strong growth, with Marston's Pedigree up by nearly 6% and Jennings Cumberland Ale up by 30%. Ringwood, acquired in July 2007, also performed well. Our own brands market share of the premium cask ale market is now over 20%.

## **Financing**

During the year just ended, higher short term interest rates increased the cost of borrowing under bank facilities of £500m by around 1%. Since the year-end we have taken advantage of more attractive long term interest rates to fix the cost of all of our bank debt using interest rate swaps. All borrowings are now effectively at fixed rates of interest with a blended cost of just over 6%.

During the year we purchased 28.1 million shares at a total cost of around £120 million.

## **Profit before taxation and earnings per share**

Profit before taxation for the financial year to 29 September 2007 is anticipated to be slightly below our original expectations due to the impact of higher interest rates, flood related repair costs and poor summer weather. However, earnings before exceptional items are anticipated to be in line with our original expectations reflecting the impact of share buy-backs and the fact that the effective rate of tax is expected to be lower than last year.

## **Pensions**

The Eldridge Pope Pension Scheme was merged with the Marston's PLC Pension and Life Assurance Scheme on 7 September 2007. An additional contribution of £11.3 million has been made to the Marston's PLC Scheme since the year-end as a consequence of the different funding levels of the schemes prior to merger. The previously disclosed current schedule of top-up contributions of £7.2 million per annum, intended to eliminate the Marston's PLC Scheme funding deficit by 2014, will continue to be made.

## **Outlook**

Trading has continued to be good after the introduction of smoking bans in England and in Wales, and although we are more cautious about the impact of this legislation over the winter months we believe that well located, well invested pubs with high standards of service will benefit in the longer term.

The outlook for costs is broadly neutral overall. Food purchase prices and raw materials in brewing are rising ahead of inflation, but we have fixed the majority of our energy costs over the next financial year and we have completed the negotiation of lager supply contracts on improved terms and with a wider portfolio of brands available. The recent increase in the minimum wage is in line with inflation.

We are well positioned to continue to benefit from current market trends, including growth in casual dining, and to derive further value from our integrated business model. We remain confident about the future prospects for the Group.

## **Enquiries:**

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