

A man in a dark jacket is shown from the chest up, holding up his right hand with one finger pointing up and his left hand holding a dark, rectangular object. He is looking towards the right. The background is a bright green field. The text "TWO PINTS OF PEDI OVER HERE" is overlaid in white, bold, sans-serif font.

**TWO PINTS OF
PEDI OVER HERE**

Paul Inglett Finance Director



Securitisation highlights: 12 months to March 2007

• Gross Debt Outstanding as at 31 March	£789.2m
• EBITDA	£117.1m
• Free cashflow	£ 88.4m
• Debt service	£ 51.2m
• EBITDA DSCR	2.3x
• FCF DSCR	1.7x

Securitisation: Estate movement

<u>Number of pubs</u>	<u>Tenanted</u>	<u>Managed</u>	<u>Total</u>
At closing	1,238	354	1,592
Net transfers	66	(66)	-
Disposals	(7)	(1)	(8)
As at 31 March 2007	1,297	287	1,584

- subsequent to the half-year end, 181 securitised tenanted pubs were sold on 10 May for £54.8m
- EBITDA of 181 pubs was £4.7m
- Intention to substitute in tenanted pubs to replace EBITDA
- Expected transfer at end of June 2007

Highlights – Marston's PLC Group

1. Strong interim results

- good organic growth
- effective integration of acquisitions

2. Continued increase in quality of estate

- acquisitions – Sovereign Inns, Eldridge Pope
- organic investment
- disposals – 279 tenanted pubs sold 10 May 2007

3. Increased cash return to shareholders

- dividend +20% to 4.36 pence per share
- share buy-back increased from £100m to £150m

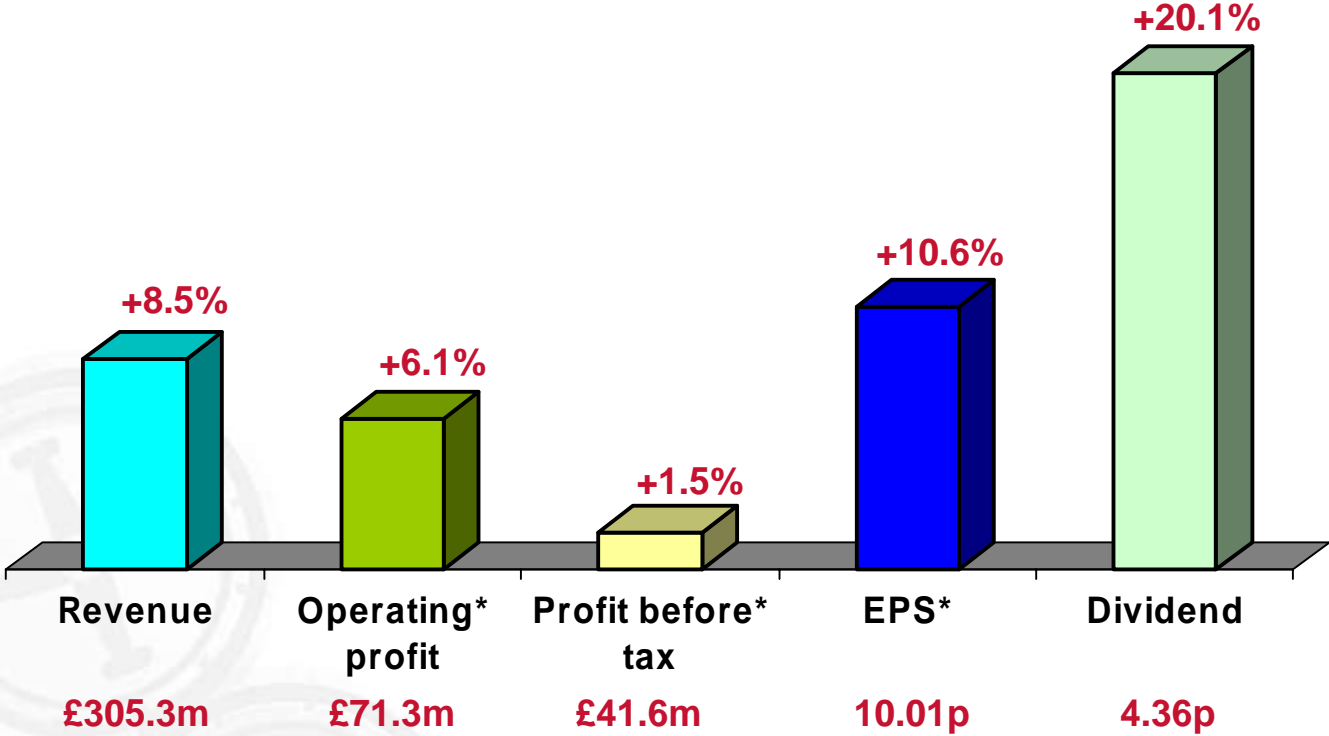
4. Property portfolio

- will continue to review as market develops

strong results, further opportunities to exploit



Financial highlights – Marston’s PLC Group



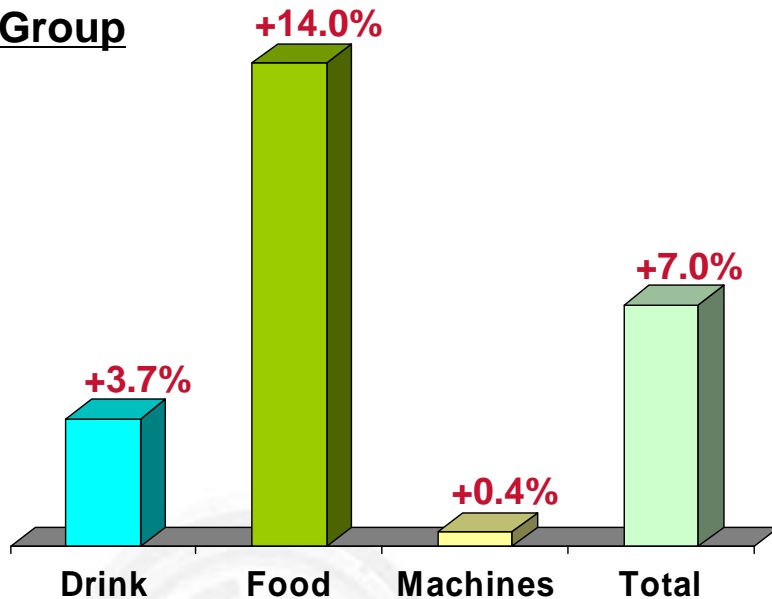
*before exceptional items

continued double digit growth in EPS and dividends

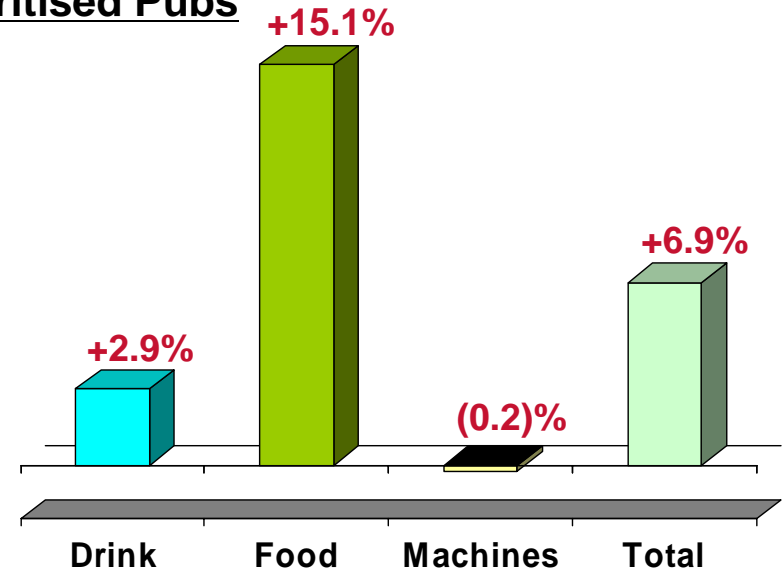


Like-for-like sales*

Group



Securitised Pubs



- community +7.5%
- town centre +5.9%
- Eldridge Pope estate LFL growth similar to core estate post acquisition
- strong trading continued into 2nd half: +6.6% in 33 weeks to 19 May 2007

*94% of estate, excluding Eldridge Pope and any pubs acquired in last 2 years

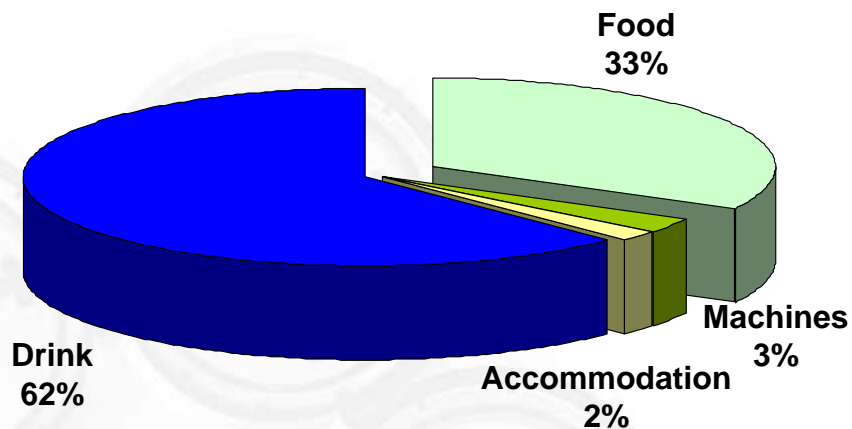
food continues to be key driver of growth

Margins

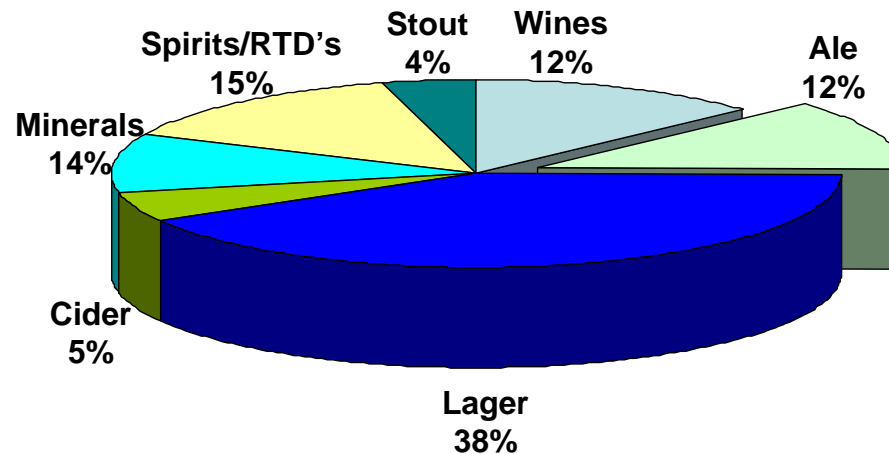
vs H1 2006

- LFL sales growth +7%
- Average selling prices¹ flat
- Gross margin % flat - drink 73%; food 67%
- Volume growth +7%

Turnover H1 2007



Drinks sales²



¹ drink and food

² at retail value for 6 months to March 2007

focus on growing like-for-like gross profit

Balance sheet

	<u>March 2007</u>	<u>March 2006</u>	
<u>£m</u>			
Fixed assets*	1,796	1,597	• impact of acquisitions
Goodwill & investments	244	177	
Net debt	(1,146)	(898)	• impact of acquisitions and share buy-backs
Deferred tax	(121)	(118)	
Net other liabilities	<u>(144)</u>	<u>(116)</u>	
Net assets	<u>629</u>	<u>642</u>	• share buy-backs of £55m in last 12 months

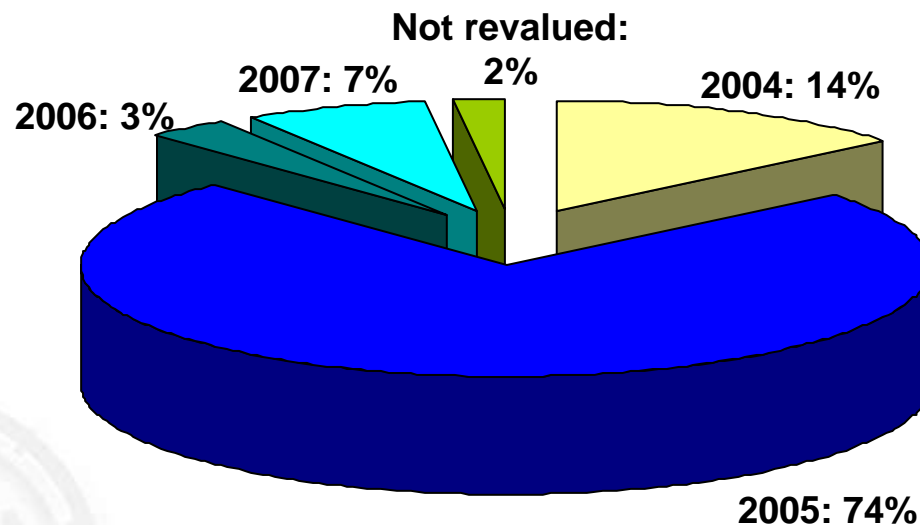
* includes assets held for sale

94% of pubs freehold or long leasehold



Asset revaluations

Latest pub valuation dates*



- c.90% of valuations carried out by Christie + Co.
- accounts valuations exclude any lotting premium

* 2,535 pubs as at 31 March 2007

policy to review on a 5 year rolling cycle



Split of net debt



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Group net debt: £1,146m

Securitisation

	<u>£m</u>
Original amount	805
Repayments	<u>(16)</u>
Currently outstanding	<u>789</u>

Interest rate:	c.5.4%
% fixed debt:	100%

Bank debt

	Available		
	facility	Drawn	Headroom
<u>£m</u>			
Corporate	400	340	60
Share buy-backs	<u>100</u>	<u>40</u>	<u>60</u>
	<u>500</u>	<u>380</u>	<u>120</u>

Interest rate:	c.6.3%
% fixed debt:	0%

Cash/other

	<u>£m</u>
Cash balances	(37)
Other	<u>14</u>
	<u>(23)</u>

Group
c.6.0%*
c.70%

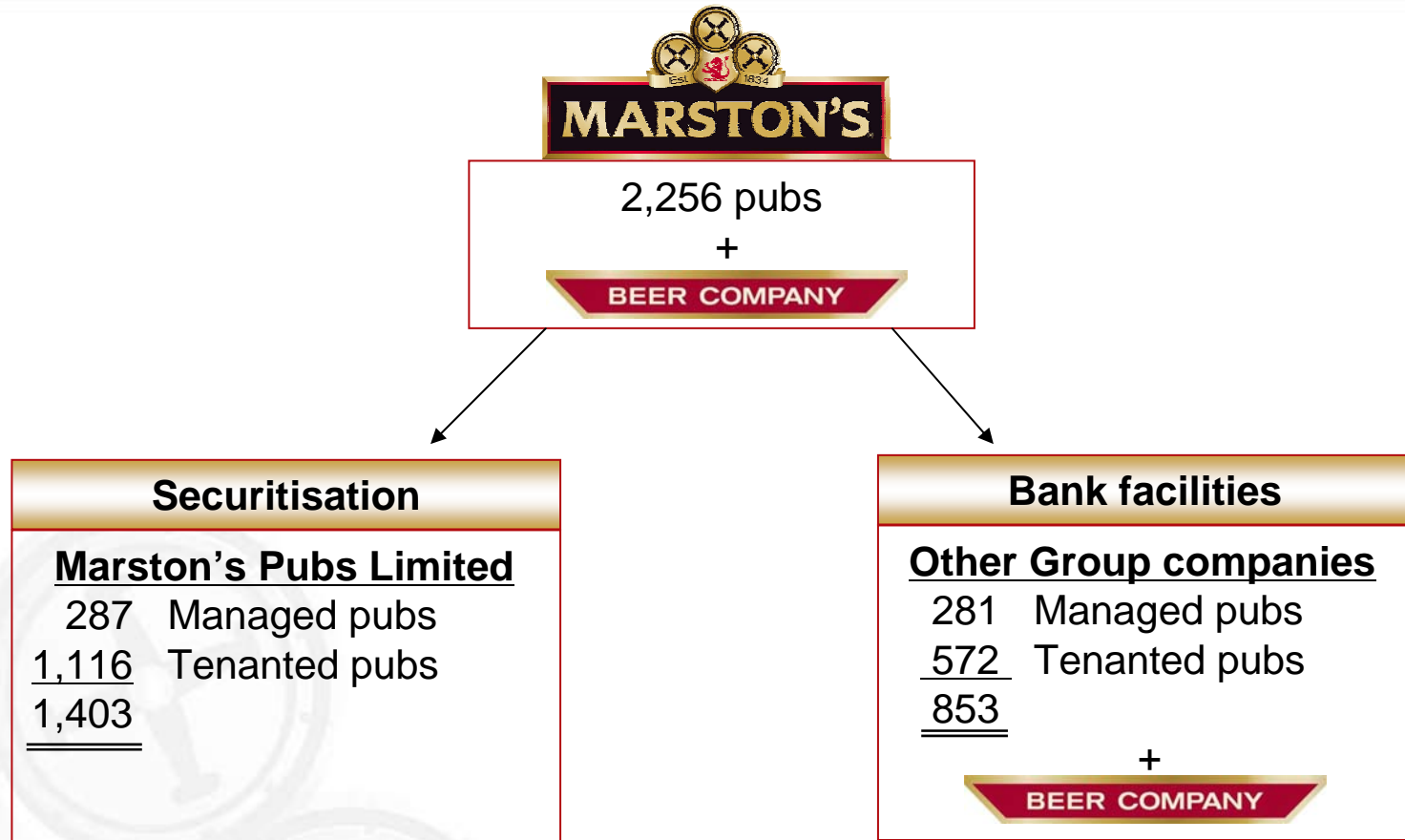
* including amortisation of arrangement fees and interest costs in respect of retirement benefits

current bank facility headroom of £120m



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Split of assets*

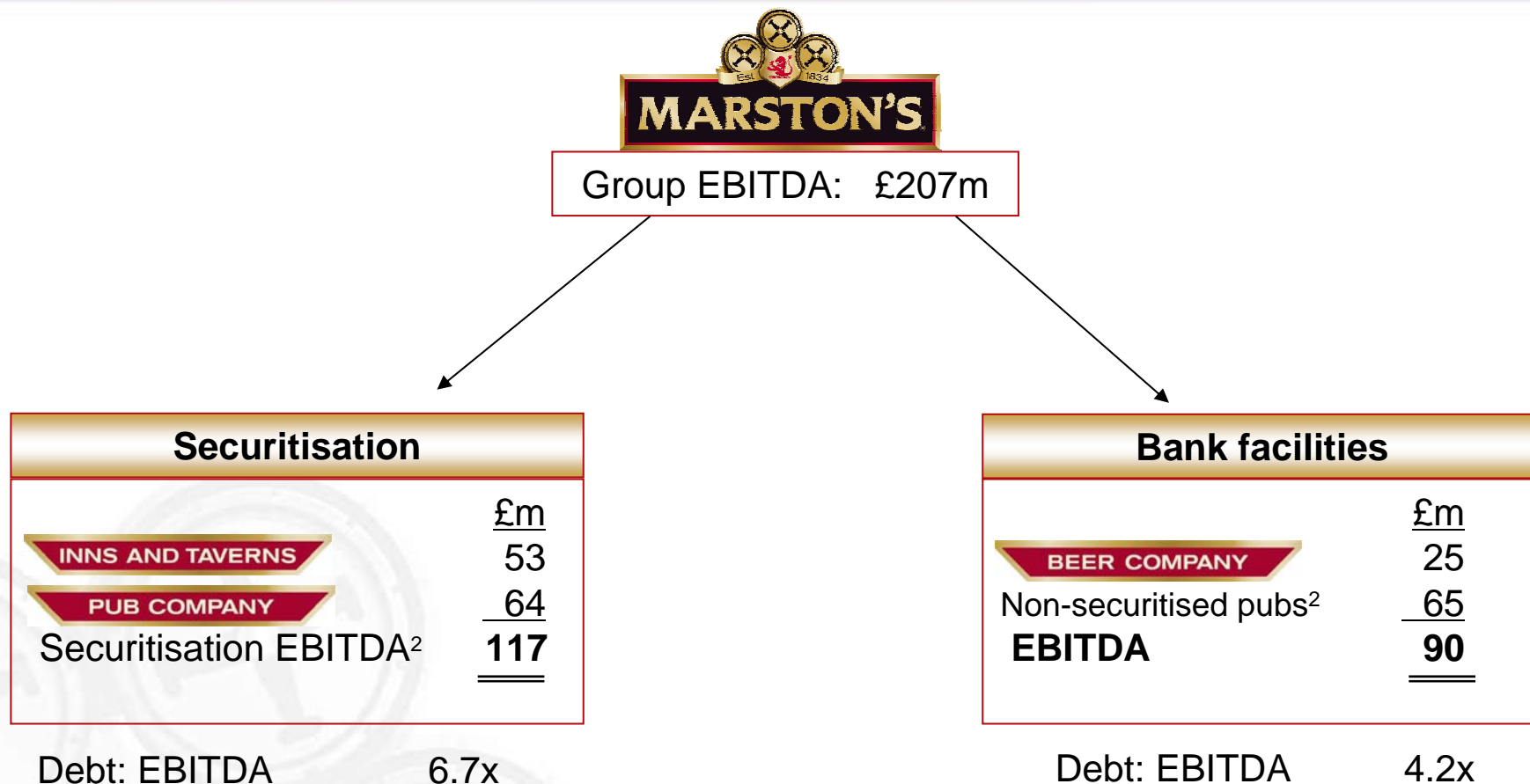


* as at 31 March 2007, adjusted for sale of 279 pubs on 10 May 2007

38% of pubs not securitised



Split of EBITDA¹



¹ pro-forma 12 months to March 2007, adjusted for full year impact of Eldridge Pope and Sovereign Inns

² net of allocation of PLC central costs

opportunity to securitise more assets



Financing ratios

	12 months to <u>March 2007</u>	<u>Target</u>
Interest cover	2.9x	2.25x – 2.75x
Net debt: EBITDA*	5.5x	5.25x – 6.0x

Balance sheet efficiency

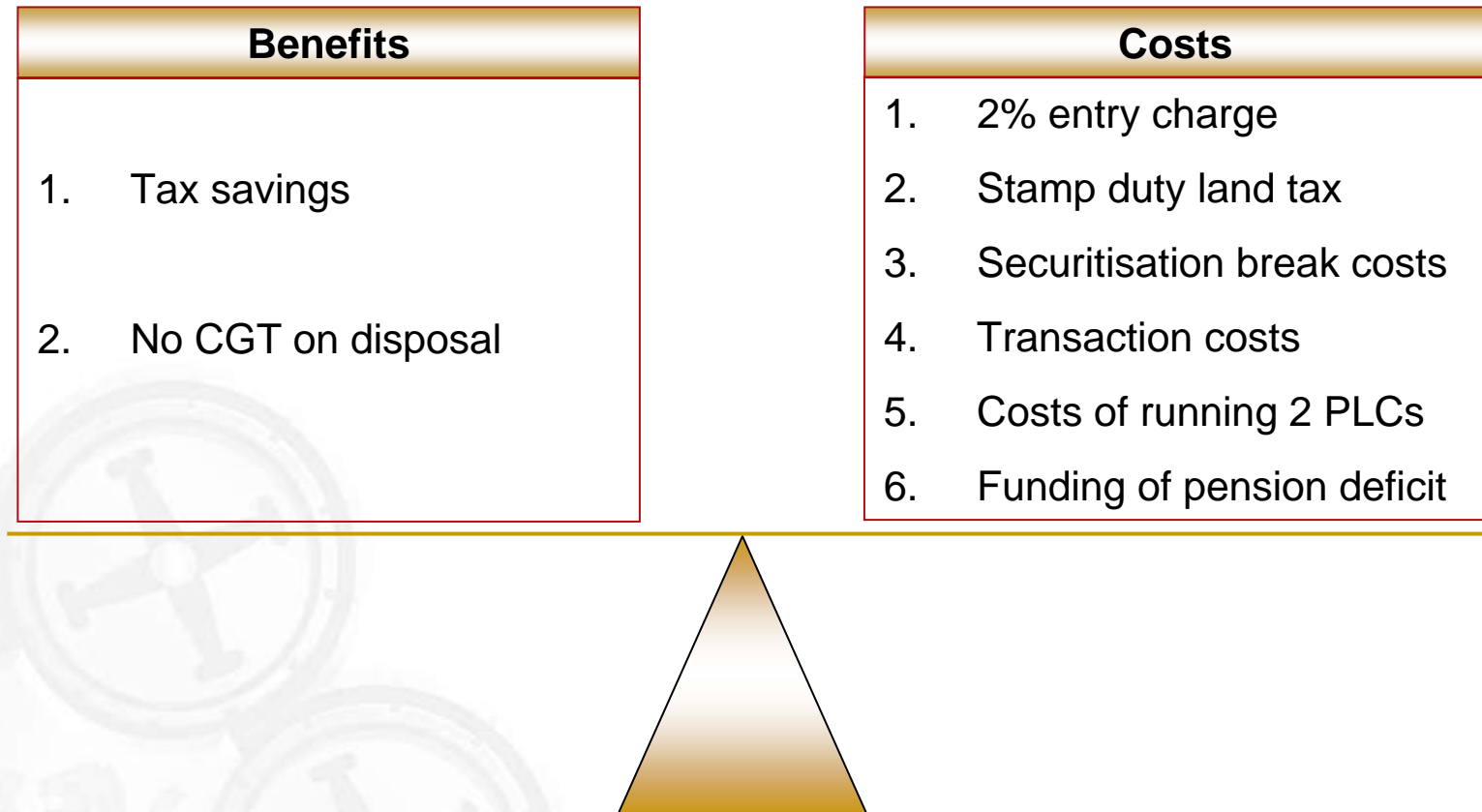
- committed to £150m of share buy-backs this year
- increased interim dividend by 20%
- opportunity to securitise up to 38% of pub estate
- retain some flexibility to fund acquisitions

** pro-forma 12 months to March 2007, adjusted for full year impact of Eldridge Pope and Sovereign Inns*

aim to maintain efficient balance sheet



REITs: financial cost/benefit analysis



estimated to be broadly neutral

REITs considerations

- 1. Clear benefit of freehold ownership**
 - operational flexibility
 - benefit of long-term capital appreciation
- 2. Cost/benefit analysis is broadly neutral**
 - REITs not currently compelling
- 3. Other alternative structures still emerging**
 - monitor market developments
 - continue to discuss with advisors

rationale for converting is not currently compelling



Financial summary

1. Good progress in key financial measures

- continued double digit earnings growth
- 20% increase in interim dividend

2. Improved balance sheet efficiency

- £40m share buy-backs, further £110m to follow
- opportunity to gear up business further

3. REITs

- tax benefits not compelling
- continue to review situation as market develops
- ongoing evaluation of alternative structures

good progress, but further opportunities to exploit





PEDIS ALL ROUND?

Ralph Findlay **Chief Executive**



Marston's strategy

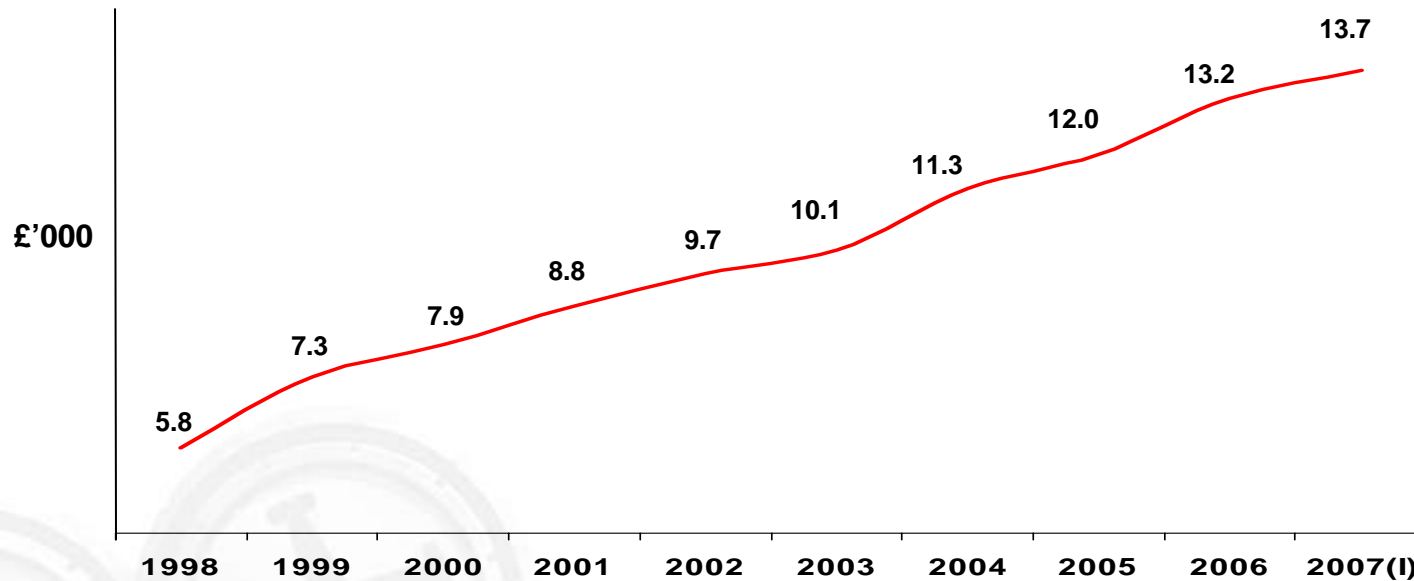
- 1. Growth through development of national, high quality pub estate**
 - corporate acquisitions
 - new build pubs/acquisitions of existing pubs
 - predominantly community pubs
- 2. Exploit benefits of integrated model**
 - operational flexibility
 - adding value to acquisitions
- 3. Maintain a strong, efficient balance sheet**
 - predominantly freehold ownership
 - long-term low cost debt financing
- 4. Sustainable long-term value for shareholders**

clear, consistent and straightforward strategy



Consistent growth in turnover per pub

Average turnover per week per pub £'000

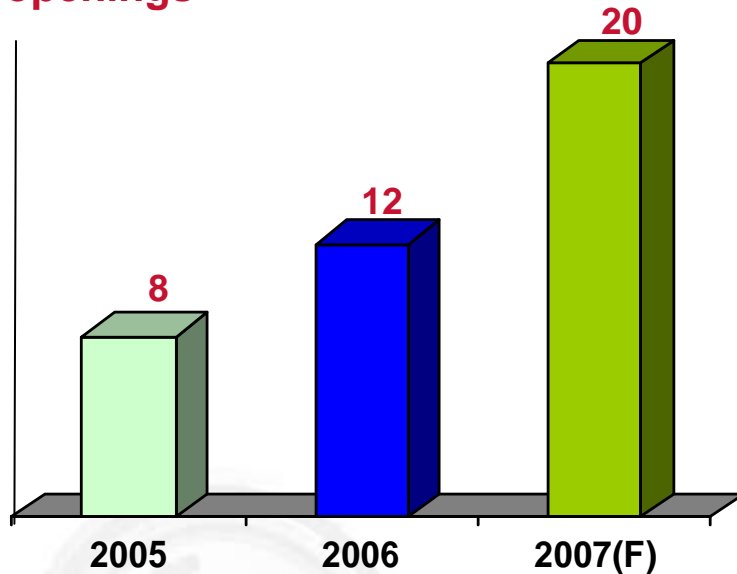


- active estate management – >600 pubs transferred to tenancy since 1999
- major acquisitions – Wizard Inns (2004); Eldridge Pope (January 2007)
- new build pubs/pubs acquired – 12 in 2006; 20 forecast in 2007

demonstrates significant improvement in quality of estate

Increasing contribution from new-build pubs

Pub openings

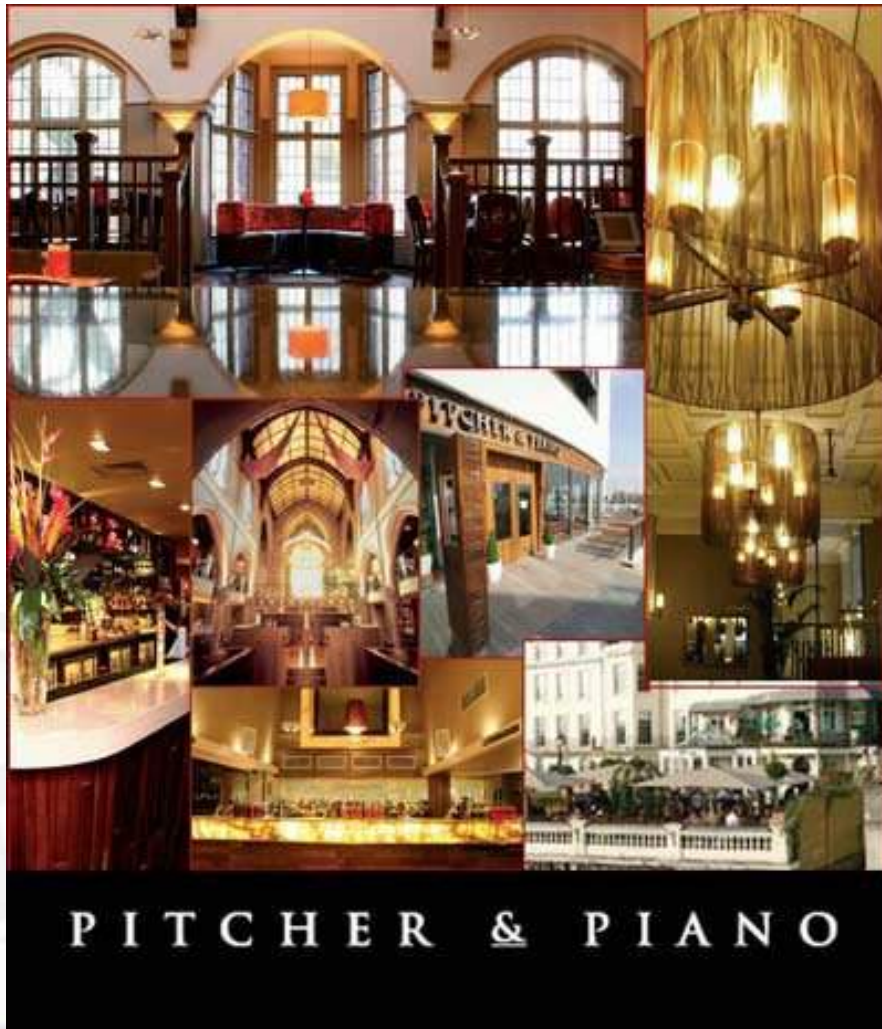
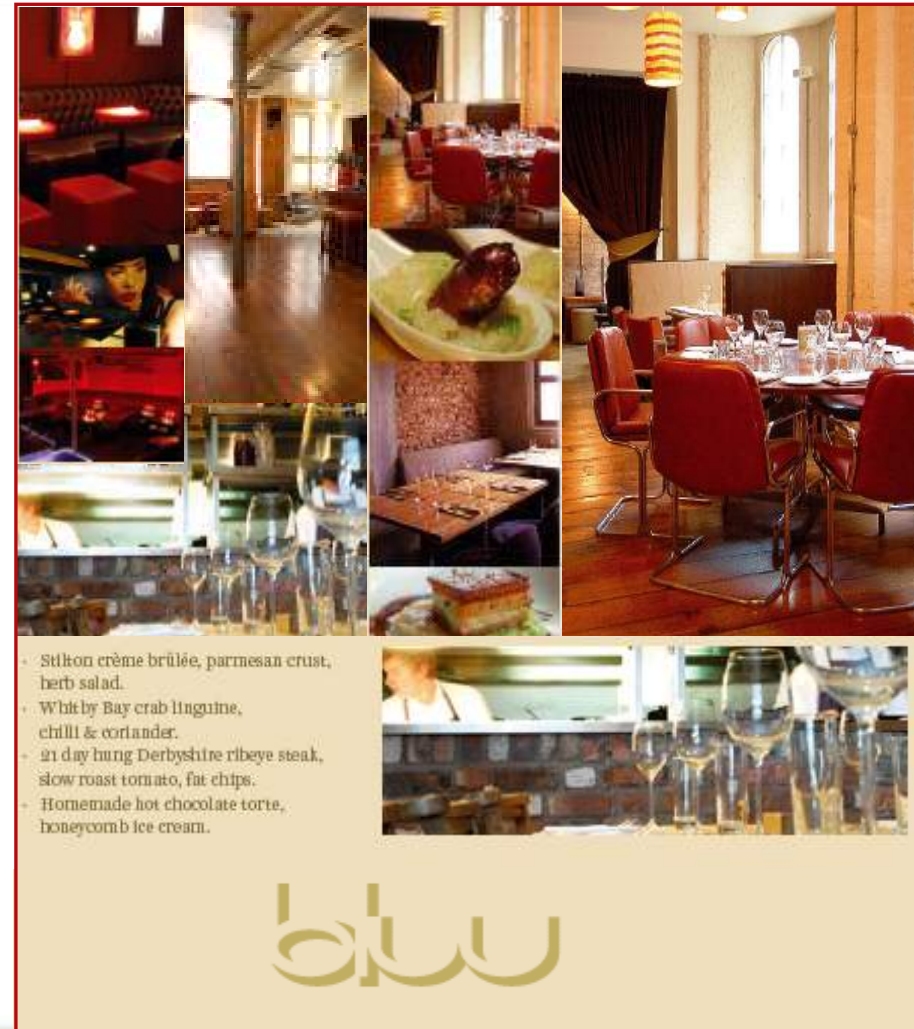


The Maple Tree, Doncaster

- **H1 2007 openings (7):** Brighton, Bristol, Cheshire, Exeter, Hertfordshire, London, Nuneaton
- **average investment c£2m:** EBITDA returns 15%+
- **investment focus:** food, families, females, non-discount high street
- **principally freehold:** modern design, energy efficient

target: 20 new build/acquired pubs p.a.

Branded high street development adds value

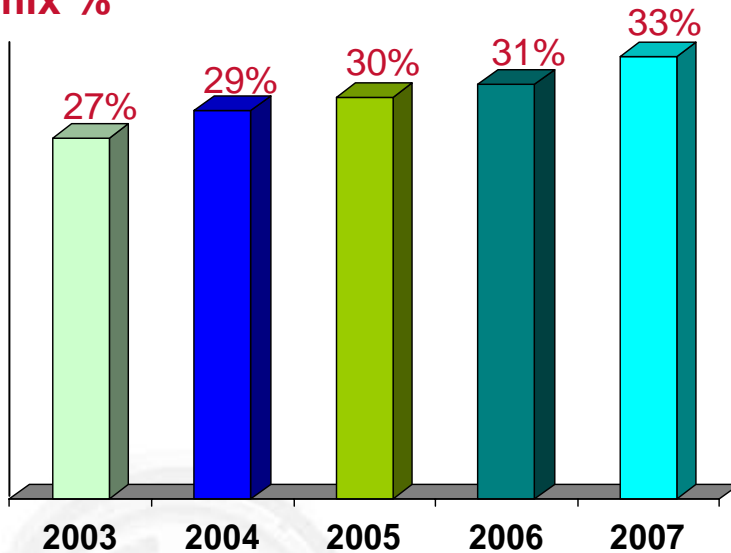
- Stilton crème brûlée, parmesan crust, herb salad.
- Whitby Bay crab Linguine, chilli & coriander.
- 21 day hung Derbyshire ribeye steak, slow roast tomato, fat chips.
- Homemade hot chocolate torte, honeycomb ice cream.

blu

target: high quality offer, not price led

Food offer becoming more important

Food mix %



- centralised menu development/food procurement across all pubs
- specified suppliers/ingredients used by national distributor
- greater emphasis on family, value, health and 'provenance'
- H1 LFL sales growth in food +14%; gross margin c.67%

food is >50% of sales in new-build pubs

Segmentation clearer, more consistent


	Branded food	Great food	Locals
no. of pubs¹	94	95	216
average sales/week	£16k	£13k	£12k
profit² conversion	28%	27%	30%
food sales mix	59%	42%	24%
			

¹ excluding pubs identified for disposal

² EBITDAR

food sales are significant across all segments

High Street portfolio performing strongly

	Branded high street		Unbranded high street	
no. of pubs ¹	46		95	
average sales/week	£20k		£13k	
profit ² conversion	28%		34%	
food sales mix	18%		13%	

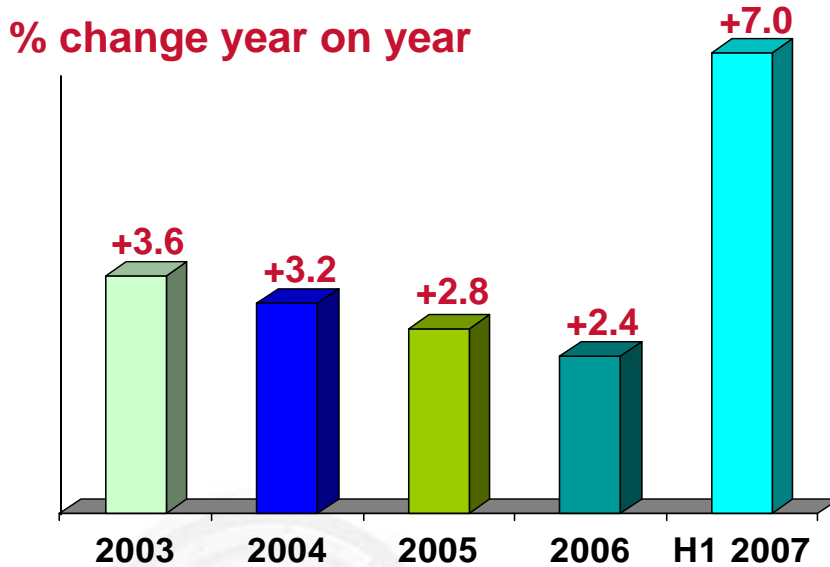


¹ excluding pubs identified for disposal

² EBITDAR

further potential to increase food sales in high street segments

Consistent like-for-like sales growth



Catherine Wheel, Bibury, Nr. Cirencester

- H1 2007 - good weather, estate segmentation, menu development
- increased customer spend, not price
- 2006 - World Cup, hot summer
- 2004 - Euro 2004

good trading momentum at the start of H2

1. Continued focus on 'F Plan' to exploit market trends

- clear food emphasis, more focus on income from rooms
- alignment of offer towards families, female customers
- reduction in wet-led promotion, more 'Every Day Fair Prices'

2. Leading new-build site developer

- fast decision-making process, strong partnerships with developers
- community food developments in residential areas
- promotion of premium Pitcher & Piano/Bluu bars for prime leasehold sites

3. Branded retail development programme

- Que Pasa conversion opportunities
- extension of Marston's food branding through new-builds and refurbishments
- exploitation of Eldridge Pope ideas for retail development

we have a good platform for continued development

Increasing quality: 'raising the bar'

- 1. All BDM's trained on the BII 'Profitable Business Portfolio'**
 - professional development programme - running a successful pub
- 2. Greater transparency for tenants and lessees**
 - BII accreditation for providing more information to tenants
 - unique in continuing to insist on the use of 'plain English' agreements
 - commitment not to use upward-only rent agreements
 - introduction of 3 month 'cooling off' period
- 3. Introduced open book accounting**
 - all new licensees work with specialist accountants for 1 year
 - part funded by Marston's
- 4. Introduced tenants 'repair funds'**
 - requirement to save £2-4k p.a. to spend on pub décor/repairs

greater emphasis on recruiting the right tenant for the right pub

Strategy for continued growth

1. Continual improvement in the quality of the estate

- 279 pubs sold on 10 May 2007 for £82.5m
- acquisition of 20-30 pubs p.a. and managed pub transfers
- ongoing disposals estimated at 20-30 p.a.
- significant capital investment programme

2. 'Sustainable growth, uncompromising standards'

- application of 'F Plan' to tenanted/leased pubs
- increased support, higher standards in dealing with licensees
 - 'raising the bar'
 - on-line ordering from June 2007
 - greater focus on rent as % of EBITDA
 - growth in non-tied products

3. Continual improvement in skill levels

- external training eg.BII
- "Pedigree People Programme": BDM to Operations Director

estate quality is more important than scale

1. Volume +1.0% for key brands

- Marston's Pedigree, Jennings Cumberland Ale, Marston's Smooth, Banks's Original
- Marston's share of total ale market 7.5%

2. Volume +4.8% in premium ale

- share of cask premium ale 17.7%

3. Operating margin down 0.7% vs 2006

- inflationary price increases
- higher energy costs
- improved productivity/efficiencies from capital investment
- increased marketing investment



focus on quality of distribution and margin, not volume

Increased marketing investment



continued investment vital to increasing market share

Smoking ban

1. Preparations well advanced

- 90% of pubs have outside trading areas
- investment substantially complete - £20m+ to date

2. Disposal of 279 pubs on 10 May 2007 reduces risk

3. Pubs with food are less exposed and have more opportunity

- c.90% of tenanted/leased pubs offer food
- 33% of managed pub turnover comes from food

4. Experience in Wales to date (182* pubs)

- encouraging trade since 2 April
- planning and preparation vital ahead of the ban

** following the disposal of 40 pubs in Wales on 10 May 2007*

short term risks, longer term opportunity



Summary (1)

1. Strong first-half results

- EPS +10.6%
- like-for-like food sales in managed pubs +14.0%
- underlying operating margin ahead of last year

2. Plans to increase cash returns to shareholders

- interim dividend +20% vs 2006
- share buy-back increased from £100m to £150m

3. Integration of acquisitions

- systems integration complete, synergy estimates confirmed
- performance in line with expectations



Summary (2)

4. Financing structure

- freehold ownership confers clear benefits
- continue to monitor market developments

5. Smoking ban

- preparations well advanced
- disposal of 279 pubs on 10 May 2007 reduces risk
- experience in Wales encouraging

6. Organic development

- new-build pub development programme on-track
- 20 new-build or acquired pubs to be opened this financial year

7. Current trading

- good and in line with expectations
- like-for-like sales +6.6% in Marston's Inns and Taverns*

* 33 weeks to 19 May 2007





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MARSTON'S**

Annual Bondholder Presentation 2007 Appendices



Financial highlights¹

INNS AND TAVERNS

		<u>2007</u> ²	<u>2006</u>	<u>% change</u>
Revenue	£m	154.6	153.1	+ 1.0%
EBITDA	£m	36.4	36.3	+ 0.3%
Operating profit	£m	26.1	25.9	+ 0.8%
Operating margin	%	16.9	16.9	-
Average no. of pubs		458	535	

¹ before exceptional items

² excludes pubs acquired as part of the acquisition of Eldridge Pope

Financial highlights¹

PUB COMPANY		<u>2007²</u>	<u>2006</u>	<u>% change</u>
Revenue	£m	97.1	86.4	+12.4%
EBITDA	£m	48.2	42.9	+12.4%
Operating profit	£m	43.3	38.0	+13.9%
Operating margin	%	44.6	44.0	+ 0.6%
Average no. of pubs		1,890	1,756	

¹before exceptional items

²excludes pubs acquired as part of the acquisition of Eldridge Pope and Sovereign Inns

BEER COMPANY		<u>2007</u>	<u>2006</u>	<u>% change</u>
Revenue	£m	40.2	41.9	(4.1)%
EBITDA	£m	11.2	11.5	(2.6)%
Operating profit	£m	7.4	8.0	(7.5)%
Operating margin	%	18.4	19.1	(0.7)%

* before exceptional items

Estate movement

<u>Pub numbers</u>	<u>Managed</u>	<u>Tenanted</u>	<u>Group</u>
September 2006	459	1,893	2,352
Acquisitions/new builds	120	83	203
Disposals	(11)	(9)	(20)
March 2007*	<u>568</u>	<u>1,967</u>	<u>2,535</u>

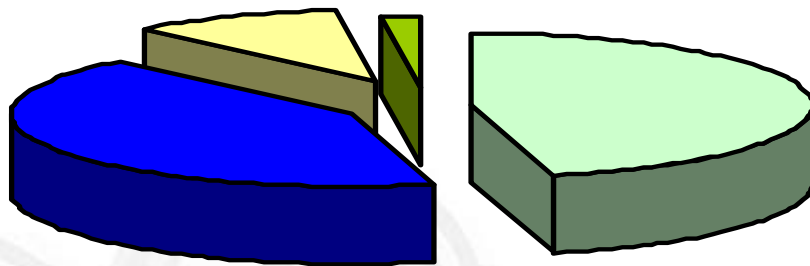
* includes 279 tenanted pubs sold on 10 May 2007



Capital investment

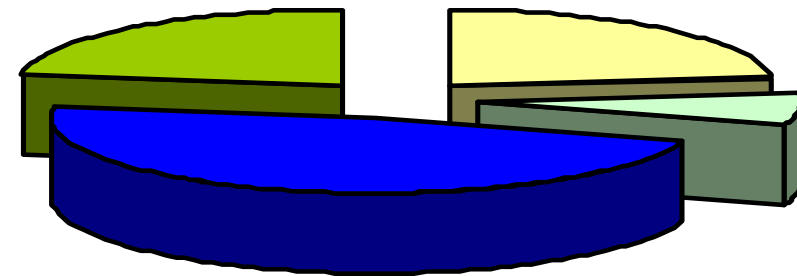
Total spend: £69.0m (2006: £50.8m)

By division



■ Inns and Taverns	£31.8m
■ Pub Company	£29.0m
■ Beer Company	£6.8m
■ Central	£1.4m

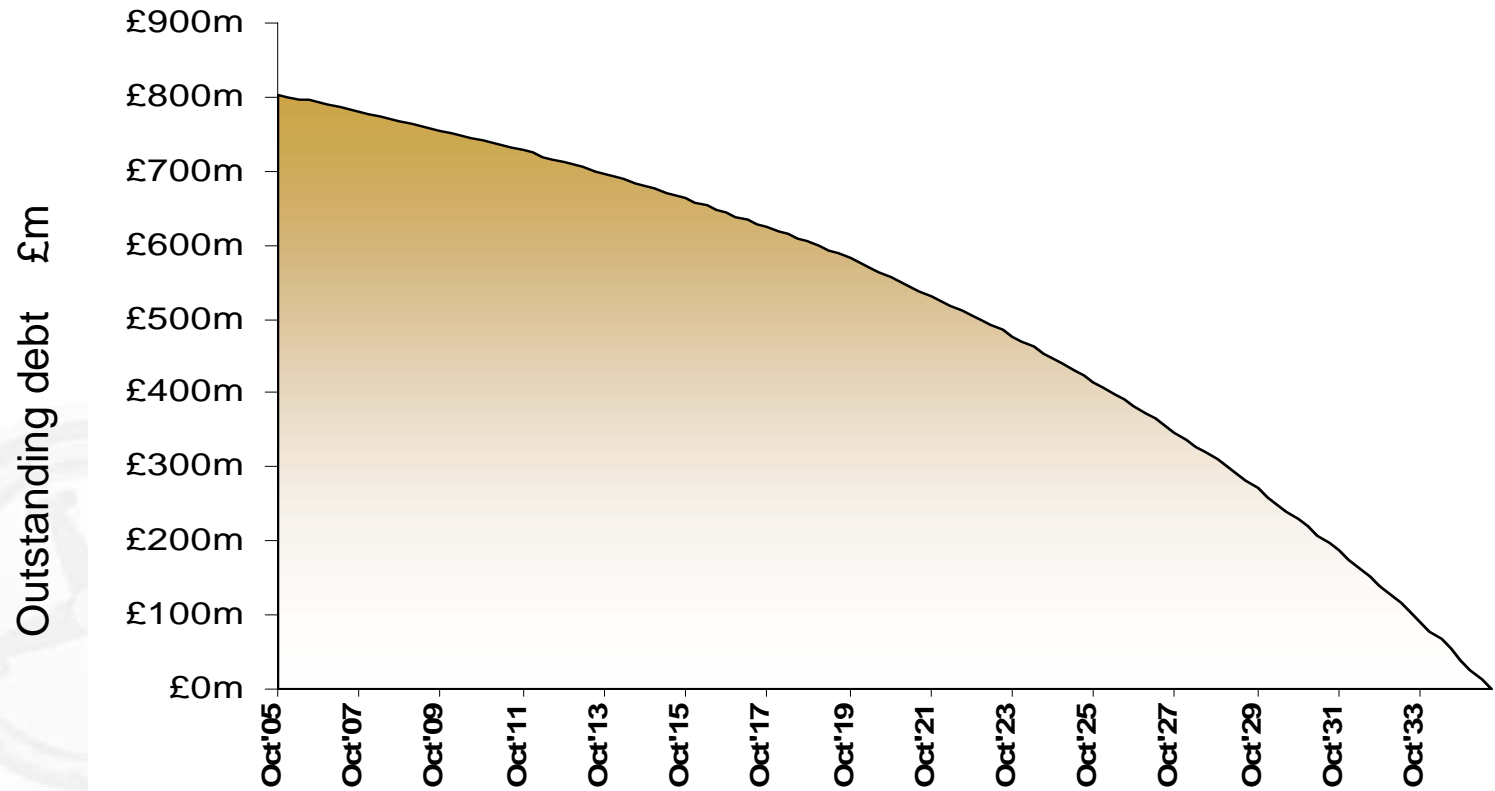
By nature of spend



■ New builds/sites	£16.0m
■ Single site acquisitions	£4.9m
■ Investment capex	£32.6m
■ Maintenance capex	£15.5m

full year forecast: £120m

Amortisation profile



Additional information and guidance

•	Average number of shares in H1 2007	302.7m	
•	Number of shares in issue as at 25 May 2007	296.1m	
•	Additional dilutive number of shares	3.8m	
		Forecast <u>2007</u>	Forecast <u>2008</u>
•	Forecast tax rate	c.27%	26.5%-27.5%
•	Capex forecast: Existing business	£75m	£55m
	: New builds/sites	£35m	£40m
	: Pub acquisitions	<u>£10m</u>	<u>£10m</u>
		<u>£120m</u>	<u>£105m</u>
•	Forecast disposal proceeds	£105m+	£20m+



MARSTON'S Pedigree **OFFICIAL BEER OF ENGLAND**  **MARSTON'S Pedigree**

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Annual Bondholder Presentation

