23 May 2006

Young & Co.'s Brewery, P.L.C.

Conclusion of review and brewing merger with Charles Wells Ltd.

The Board of Young & Co.'s Brewery, P.L.C. (the "Company" or "Young's") announces that it has concluded its review of the options for the Ram Brewery site and future brewing alternatives.

The outcome of this review is:

- the merger of Young's brewing, beer brands and wholesale operations with the brewing assets, including the freehold site of the Eagle Brewery, beer brands and wholesale operations of Charles Wells Ltd. ("Charles Wells") to form a new brewing business to be called Wells & Young's Brewing Company Ltd.("Wells & Young's");

- following an additional subscription for shares in Wells & Young's by Young's at a cost of £10m, the proceeds of which will be used to repay a £10m loan to Charles Wells, Young's will hold a 40% stake in Wells & Young's, with the remaining 60% being held by Charles Wells; and

- a proposed sale of the 5.5 acre Ram Brewery site and the nearby Buckhold Road offices in Wandsworth, South West London (the "Wandsworth sites").

The merger will create a major new force in UK brewing, operating from a modern and efficient brewery in Bedford, with a growing portfolio of speciality cask ales and lagers and sufficient scale to compete at a national level.

Key brands will include Wells Bombardier English Premium Bitter, Young's Bitter, Wells Eagle IPA, Young's Special, Waggledance, Kestrel Lager, Kirin Ichiban lager and Red Stripe Lager. Wells & Young's will also be the sole UK distributor of Corona Extra, the world's fourth largest beer brand.

The resolution of Young's future brewing operations should facilitate the Board's ability to finalise a sale of the Wandsworth sites. The Board is in advanced discussions with respect to the disposal of the Wandsworth sites, however, there is no certainty that these current discussions will result in a transaction. A further announcement on this will be made in due course.

Commenting on today's announcement, Young's Chief Executive, Stephen Goodyear said:

"We are pleased to be able to announce the resolution of our brewing review and bring to an end the uncertainty that has surrounded our business for the past two years. The creation of Wells & Young's brings together two complementary brewing businesses with unrivalled brewing heritage. Having resolved our brewing options, we can concentrate on completing the sale of the Wandsworth sites, which would unlock substantial capital to continue to build Young's high quality pub estate and enhance shareholder value.

"Young's will continue to be a vertically integrated business with a substantial interest in a modern and efficient brewery. At the same time, this deal will enable us to make a step change in the financial performance of the Company.

"Importantly, Young's beers will continue to be available in all Young's pubs and to all Young's customers. We believe this is the best outcome for the Company, for customers, for employees and for shareholders."

Paul Wells, Managing Director of Charles Wells added:

"We are delighted to be teaming up with such a prestigious and historic business as Young's. The merger of our respective brewing interests creates a significant new force in UK brewing, with strong and growing cask ale brands, operating out of one of the UK's most modern breweries. We look forward to a long and profitable partnership between the two companies."

John Young, Chairman of Young's concluded:

"The decision to sell the Ram Brewery site in our 175th year was taken with some reluctance, for mainly nostalgic reasons, but as I promised when we first announced that we were launching the brewing review in 2003, my head has ruled my heart. I thoroughly support the decision to sell the sites and the merger of our brewing interests with Charles Wells, which takes Young's forward into the next stage in its history."

Enquiries:

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An analyst meeting has been arranged for 11:30 today. Please contact Hogarth Partnership for details

Photographs are available from Hogarth Partnerhsip

Young & Co.’s Brewery, P.L.C.

Conclusion of review and brewing merger with Charles Wells Ltd.

The Board of Young & Co.’s Brewery, P.L.C (the “Company” or “Young’s”) announces that it has concluded its review of the options for the Ram Brewery site and future brewing alternatives, originally announced in November 2003.

The outcome of this review is:

- the merger of Young’s brewing, beer brands and wholesale operations with the brewing assets, including the freehold site of the Eagle Brewery, beer brands and wholesale operations of Charles Wells Ltd. (“Charles Wells”) to form a new brewing business to be called Wells & Young’s Brewing Company Ltd. (“Wells & Young’s”)(the “Transaction”);

- following an additional subscription for shares in Wells & Young’s by Young’s at a cost of £10m, the proceeds of which will be used to repay a £10m loan to Charles Wells, Young’s will hold a 40% stake in Wells & Young’s, with the remaining 60% being held by Charles Wells; and

- a proposed sale of the 5.5 acre Ram Brewery site and the nearby Buckhold Road offices in Wandsworth, South West London (the “Wandsworth sites”).

The resolution of Young’s future brewing operations should facilitate the Board’s ability to finalise a sale of the Wandsworth sites. The Board is in advanced discussions with respect to the disposal of the Wandsworth sites, however, there is no certainty that these current discussions will result in a transaction. A further announcement on this will be made in due course.

Background to the Transaction:

The publication of the Mayor’s Draft London Plan, in July 2003, identified Wandsworth Town Centre as a key area for regeneration. Together with Wandsworth’s own Local Plan Review, this raised the possibility of the Ram Brewery site being included within a zoning which would provide for alternative land use. Following this, the Board of Young’s (“the Board”) announced on 27 November 2003 that it had entered into discussions with Wandsworth Borough Council regarding its future development plans for Wandsworth Town Centre, including the Wandsworth sites.

Since these discussions, the Board has conducted a comprehensive assessment of the development potential of the Wandsworth sites and its future brewing options. Throughout this process the Board has received strong interest in the potential of the Wandsworth sites from property developers. In addition, as a result of the Board's review, it is clear that the age, layout and location of the Ram Brewery made it uneconomic to invest in improving the structure and efficiency of its operation.

In considering its future brewing options, the Board has examined a wide range of potential alternatives, including building or acquiring an alternative brewery, a JV or merger of its brewing operations with another brewer, contract brewing and ceasing brewing.

Reasons for the Transaction:

The merger of the respective brewing, beer brands and wholesale operations of Young's and Charles Wells creates a major new force in brewing, operating from a modern and efficient brewery, with a growing portfolio of speciality cask ales and lagers and sufficient scale to compete at a national level.

Young's will remain a vertically integrated business, with a significant interest in the future of Wells & Young's, which ensures that Young's beers will continue to be brewed to the high standards expected and will be available in all Young's pubs and to all Young's customers. The Board continues to believe that the provision of Young's beer brands to its retail estate is an important differentiating factor with significant consumer attraction.

The Board believes that the merger of its brewing interests with Charles Wells and the planned disposal of the Wandsworth sites will drive a step change in the Company's financial performance.

Following the Transaction, the Board's focus will be on:

- completing the disposal of the Wandsworth sites;

- accelerating the development of, and continuing to improve the returns on, Young's high quality retail estate; and

- maximising the profitability of the enlarged brewing business in partnership with Charles Wells.

Financial impact of the Transaction:

In the year ended 1 April 2006, Young's brewing and wholesale business generated an EBITDA of £3.2m and an operating profit before exceptionals of £0.9m on sales of £50.4m. The net book value of the Wandsworth sites is £11.3m as at 1 April 2006 and there are £13.4m of additional assets connected to the wholesaling activities on those sites which will be no longer needed by the Company.

The cost savings for the continuing Young's retail business following the transfer of the wholesaling operations from the Ram Brewery site, together with improved beer purchasing terms, are expected to result in an annualised net positive impact on profits of at least £2.5m from completion on 1 October 2006.

Young's will additionally benefit from its 40% share of the profits of Wells & Young's, which is expected to be a highly efficient brewing business with a strong portfolio of speciality cask ale and lager brands. In the last financial year, pro forma own brewed volumes of around 400,000 barrels, together with significant contract brewing and wholesaling volumes, give it the scale to compete at a national level and make it one of the largest speciality brewers in the UK.

The pro forma financials of Wells & Young's will be augmented by significant synergies from improved economies of scale – although the full impact of these will not be felt until the year ended September 2008.

The one-off cash costs relating to the brewing merger, the Ram Brewery closure and the assumed sale of the Wandsworth sites, are forecast to be in the region of £8.0m, the majority of which will be incurred by Young's in the current financial year.

The Board is confident that earnings in the year to 31 March 2008, the first full year, will be substantially enhanced* as a consequence of the Transaction.

Wells & Young's:

Wells & Young's is a new company, created from the merger of Young's brewing, beer brands and wholesale operations with the brewing assets, including the freehold site of the Eagle Brewery, beer brands and wholesale operations of Charles Wells.

Following an additional subscription for shares in Wells & Young's by Young's at a cash cost of £10m, which will be used to repay a £10m loan to Charles Wells, Young's will hold a 40% stake in Wells & Young's, with the remaining 60% held by Charles Wells.

Wells & Young's will be based at the Eagle Brewery in Bedford and will commence trading on 1 October 2006. It will be responsible, amongst other things, for brewing, packaging, warehousing and wholesale activities.

Jim Robertson, Master Brewer of Charles Wells, will be Production Director, with Ken Don, Young's Head Brewer, retained as a full-time consultant until his retirement.

It is intended that, following the completion of taste matching and product quality trials over the summer, Young's will have transferred all of its brewing and wholesale activities to the new company by 1 October 2006. Distribution and warehousing will remain at Wandsworth until its relocation to a new satellite depot in late 2007. All remaining Young's staff and corporate functions, including the managed houses and tenanted estate managers, will be relocated in 2007 to a new head office in Wandsworth.

Information on brands and brewing assets to be contributed by Young's

The Young's assets to be contributed comprise its brewing activities, including certain specialist brewing equipment, its beer brands and wholesale operations, including Cockburn and Campbell. The core beer brands, which will be licensed in perpetuity to Wells & Young's, include Young's Bitter, Young's Special and Waggledance as well as its range of bottle conditioned ales.

In the year ended 1 April 2006, Young's brewed over 167,000 barrels of beer including 106,000 barrels of owned beer brands, of which Young's Bitter accounted for 46,000.

Information on brands and brewing assets to be contributed by Charles Wells

Charles Wells will contribute its own and licensed beer brands, together with the freehold and assets of the Eagle Brewery. Located in Bedford, the Eagle Brewery was built in 1976 and has been well maintained through significant investment since this date. The brewery site occupies 16 acres.

Charles Wells' owned brand portfolio, which will be licensed to Wells & Young's in perpetuity, includes its flagship premium ale brand, Wells Bombardier, which in the year ended September 2005 was the fastest growing premium cask ale in the UK.

Other brands include Wells Eagle IPA Bitter, John Bull Bitter and Kestrel lager (acquired from Scottish & Newcastle in 2005), together with a variety of other speciality and seasonal ales.

In the financial year ended September 2005, Charles Wells brewed around 300,000 barrels.

In addition, Charles Wells has the UK distribution rights for Corona Extra, the fast growing Mexican lager and the world's fourth largest beer brand. This has been imported under licence from its brand owner Grupo Modelo since 1996. Charles Wells also has the rights to brew and market Red Stripe Lager (the popular Jamaican beer brand which is owned by Diageo plc) and Kirin Ichiban lager which is owned by the Kirin Brewery Company in Japan. All these licensed brands will be transferred to the new company and are subject to renewal in the ordinary course.

On a historical cost basis, the brewing and brands business (including the freehold interest of the Eagle Brewery site) had net operating assets of £15m as at 30 September 2005. These assets were not operated as a separate entity within Charles Wells and therefore have not previously been reported on. While dependent on subjective assumptions, the Charles Wells directors estimate in the year ended September 2005 that the sales and operating profit attributable to these assets were £128m and £2m respectively.

Supply Agreements

Young's (which has a managed and tenanted estate of 208 pubs and inns) and Charles Wells (which has a managed and tenanted estate of 245 pubs) have both entered into exclusive three year rolling supply agreements with Wells & Young's for the supply of beverages to their respective pub estates. The parties have agreed to an initial two year period in which notice cannot be given (therefore the first date at which the supply agreement could be terminated is October 2011).

The Board believes that the pricing of the supply agreement is in line with market rates, which for Young's is an improvement on the historic transfer prices operating between the Young's retail estate and its wholseale operations.

Shareholder Agreement

Charles Wells and Young's will have the right to appoint 60% and 40% of the Board of Wells & Young's respectively. Initially, the Board of Wells & Young's will consist of Stephen Goodyear and Peter Whitehead from Young's and Paul Wells, who will be Chairman, and Roger Ashworth from Charles Wells, together with a strong brewing management team selected from the existing Charles Wells business led by Nigel McNally, who will be Managing Director.

Both Young's and Charles Wells have vetoes over certain significant Wells & Young's matters including, inter alia, material changes to the business, material transactions or agreements and material changes in its capital structure.

Both shareholders' holdings are subject to a two year lock up agreement. In addition, in the event of a change of control of either shareholder, the other shareholder will have the right, but not the obligation, to acquire the balance of the issued share capital at a value determined by a formula. In the first five years, the equity value of Wells & Young's on a change of control would be not less than £75 million.

Wells & Young's will be setting up a new defined benefit pension scheme for employees transferred to the new company. This scheme will be fully funded from the outset by the two shareholders, in proportion to their respective employees joining the new company.

It is intended that 80% of the profits of Wells & Young's, after pension contributions, will be distributed to shareholders as dividends each year.

** This statement should not, however, be interpreted to mean that the Young's consolidated earnings per share will necessarily be greater than those for any preceding financial period.*