

28 September 2005

## **THE WOLVERHAMPTON & DUDLEY BREWERIES, PLC ('W&DB')**

### **TRADING STATEMENT**

In accordance with its usual practice, the Board of The Wolverhampton & Dudley Breweries, PLC ("W&DB") has issued the following trading update prior to entering its close period at the end of the current financial year to 1 October 2005.

#### **Trading**

Trading over the summer period has been satisfactory and ahead of last year, notwithstanding the benefit of Euro 2004 in the comparable trading period.

In the 51 weeks ended 24 September 2005, total like-for-like sales in Pathfinder Pubs were 2.8% ahead of last year. Like-for-like sales in The Union Pub Company were 2.8% ahead of last year for the same period. In W&DB Brands, brewed beer volumes increased by 5.2% (excluding non-owned brands), including a 14.8% increase in premium ale.

Across the Group, margins are ahead of last year despite significant cost increases, and the results for the year as a whole are anticipated to be in line with our expectations.

#### **Acquisitions**

The integrations of Burtonwood (acquired January 2005) and Jennings (acquired May 2005) were completed as planned, and the trading contributions from these acquisitions have met our expectations. As previously stated, anticipated synergies of £3.0 million per year from Burtonwood have been increased to at least £3.5 million per year. The targeted synergies of £2.0 million per year from Jennings will be slightly exceeded.

We announced that our offer for English Country Inns became unconditional on 15 September 2005, and the integration of the 14 managed pubs is underway.

## **Refinancing and pension fund contribution**

The Group refinanced its debt in August 2005, replacing existing debentures and bank debt with an £805 million securitisation and a £250m bank facility. The new financing structure provides greater flexibility for acquisitions, increases the average maturity of the Group's debt and also reduces the cash cost of debt by some £5 million per year.

As previously indicated, a one-off contribution of £29 million has subsequently been made to the final salary pension scheme, reducing the aggregated FRS17 deficit across all Group schemes to approximately £30 million (after tax).

The overall effect of these transactions will be to reduce interest charged in the profit and loss account by approximately £1.5 million per year. This includes the £5 million cash saving from refinancing, interest on the one-off pension contribution of £29 million, and the fact that historical non-cash debenture fair value accounting adjustments will no longer be required following the refinancing.

## **Licensing**

Having completed premises licence applications in respect of all of our pubs, we anticipate that all hearings and the requirements for personal licences will have been successfully dealt with by 24 November 2005, the date for the implementation of the new licensing regime. The majority of pubs in our estate have applied for modest extensions to opening hours.

## **Outlook**

The regulatory and cost issues affecting our industry have been challenging, and remain so. In the coming financial year, staff costs will increase by some £2 million as a consequence of the higher minimum wage, and we expect energy costs to rise by over £5 million as a result of energy prices which are at least 50% ahead of last year. Additionally, a more challenging consumer environment is widely reported.

We aim to continue to offset rising costs by improving productivity, demonstrating the strength of our business model and the benefits of operational flexibility. This

includes the potential to transfer smaller managed houses to tenancy, with 19 pubs currently being transferred to The Union Pub Company from Pathfinder Pubs.

We have a strong balance sheet and relatively conservative gearing which enables us to consider acquisition opportunities as they arise in a consolidating sector.

The Preliminary Results for the year ending 1 October 2005 will be announced on 2 December 2005.

**Commenting**, Ralph Findlay, Chief Executive, said: 'The growth of the business is being driven by a combination of organic development and the successful integration of recent acquisitions. Our focus on good quality freehold community pubs, high retail standards and popular beer brands places us in a good position to benefit from the changes that are taking place in the industry'.

**ENQUIRIES:**

**The Wolverhampton & Dudley Breweries, PLC**

Ralph Findlay, Chief Executive

Paul Inglett, Finance Director

Tel: 01902 329516

**Hudson Sandler**

Andrew Hayes

Nick Lyon

Tel: 020 7796 4133