

Trading Update

27th January 2009

Adnams is today providing an update on its trading since the announcements made in its 30th June trading update and its interim report on 22nd August 2008.

At the time of the interim report the Board foresaw a difficult period ahead, though the seriousness of the economic decline that has occurred has exceeded the expectations of most. Overall our trading since August has been less strong than we had anticipated at that time, but we have continued to concentrate on doing the right things for both the shorter and longer term.

Brewing and Brands

Adnams beer volumes were down by 6% for 2008, which outperformed the market generally. Total market volumes for ale were down by about 8%. In the on-trade the fall was about 10%. The Company sells 93% of its beer volume outside its own pub estate, so it is heavily exposed to the exceptionally weak trading environment in the national on-trade. The latest estimate of pub closures is that they have now reached 39 a week.

The Company's Brewing & Brands business performed better in the second half of the year than it did in the first half, but overall the performance was somewhat below our expectation at the time of our interim report. We are focussing hard on tight control of costs. An inevitable consequence of this has been some increased expense in 2008 to enable us to effect those future cost reductions.

Retail

The UK's pubs are, for the most part, going through a particularly difficult period. Our tied estate, and also our Southwold hotels, found trading in November and December, excluding the Christmas period,

to be especially tough. Increased cost has been incurred in recent months in providing support to some of our tenants. The Company has nine Cellar & Kitchen stores, many of which are recent openings and as such, new businesses. These stores continue to establish themselves, but deteriorating economic conditions have inevitably made this process slower and harder. The continuing plunge of sterling, notably the fall against the euro and the dollar, has seriously eroded margins in our wine business.

Adnams has made a number of large-scale investments to renew its infrastructure over the last few years. Construction of the new Cellar & Kitchen store in Southwold during 2008 was the last part of the renewal that is currently planned. There are no plans to roll out further stores at this point, but the Board remains confident of the robustness of the concept.

Outlook

As a consequence of the continuing tough trading conditions it is anticipated that the Company's profits for 2008 will be substantially lower than those for 2007.

The Board continues to believe that the Company is well positioned to withstand the current trading conditions, even though they may continue to deteriorate. Adnams has invested heavily in its brand, its infrastructure and its people. These are investments that will provide strength regardless of the economic conditions.

Adnams will announce its results for the year to 31st December 2008 at the start of April.

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