



The Beverage Council of Ireland

THE GLASS IS HALF FULL

**The 2009 Republic of Ireland
Soft Drinks Market Review**

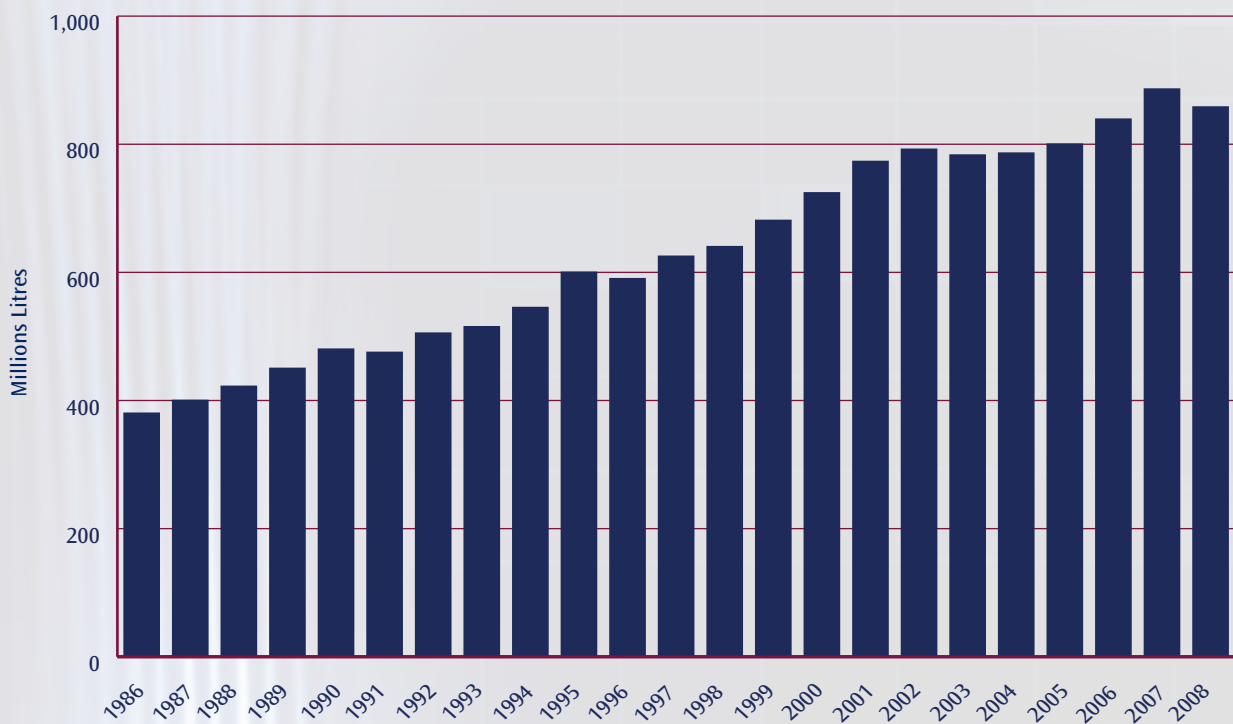
TABLE OF CONTENTS

Soft Drinks – <i>The Glass Is Half Full</i>	4
Welcome – <i>Fáilte</i>	5
Overall Soft Drinks Consumption	6
Bottled Water	8
Carbonates	10
Dilutables	12
Fruit Juice	14
Still & Juice Drinks	16
Sports & Energy Drinks	18
The Licensed Trade	20
The Weather in 2008	22
Global Perspectives	24
Challenging Economic Background For Soft Drinks Industry	26
Packaging & Sustainability	28
Diet, Nutrition & Lifestyle	29
No Problem!	30
Proven Facts	31
Outlook & Conclusions	32
Definitions	33
Report Methodology/Background	34
About The Beverage Council of Ireland	35

SOFT DRINKS *THE GLASS IS HALF FULL*

Welcome to the 2nd Annual Market Review for the Soft Drinks or Functional Refreshment Beverage (FRBs) Industry in the Republic of Ireland. Covering 2008, the Review examines the fortunes of the FRBs industry in challenging times. We hope that you find the Review interesting and an informative reference tool throughout 2009.

IRELAND SOFT DRINKS CONSUMPTION, 1988-2008



Source: Zenith International

WELCOME

FÁILTE

A year may indeed be a long time in politics but for the Functional and Refreshment Beverages (FRBs) industry and the Irish economy in general the year 2008 must surely go into the annals as an incredibly long and difficult period.

Surreal in fact and with arguably no end in sight at this time events throughout the year combine to ensure that GUBU is alive and (not so) well in this fair land of ours whilst the Celtic Tiger is absolutely dead and buried – if any such creature ever in fact truly existed.



No industry, no business, no individual is unscathed; all bear the scars of the most savage financial/economic period in the history of the State. Yet life must go on and we all, collectively and individually, must work to ensure we return to some sort of normality, and as quickly as possible. Untold damage has been done to our nation, to our people, to those who have worked tirelessly to grow and improve our economy for the common good. Hopefully some lasting and important lessons have been learned but as ever only time will tell.

The FRB's industry is no exception to the rule and, as you will see throughout this report, has suffered quite significant volume decline in 2008 having previously enjoyed three to four years of solid growth. Growth which resulted from on going development, innovation and significant investment in market support. Our Industry has been to the forefront of responsible and positive market development within the broader FMCG sector and has responded to the needs and demands of the consumer, with particular emphasis on innovation, choice and the role of FRBs in the wider context of health and well being.

Our Industry is often subjected to unfair and ill informed criticism and just as we have learned to live with, and deal with, this negativity we will likewise rise to the current economic challenges. It will not be easy and is unlikely to be quick but the resilience inherent within our Industry will ensure we restore vitality and growth ahead of many other sectors. This is not pious or misplaced optimism but rather recognition of the dedication, skills, expertise and experience developed soundly and responsibly over an extended period of time.

Our Glass is Half Full.

Thank you and we wish you informative reading!

Go raibh maith agat agus ta suil againn go bhuin siabh teanamh as an fhoilsithe seo.

A handwritten signature in black ink, appearing to read 'John Galvin'.

JOHN GALVIN

President

The Beverage Council of Ireland

A handwritten signature in black ink, appearing to read 'Bernard Murphy'.

BERNARD MURPHY

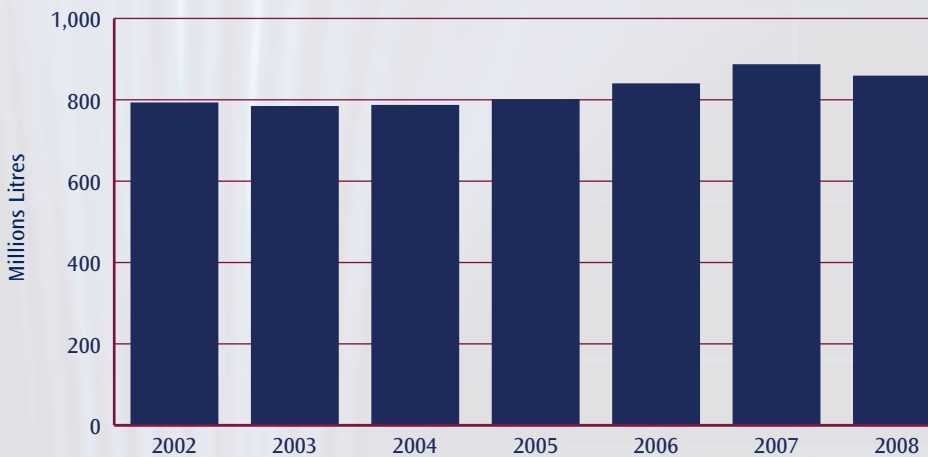
Executive Director

The Beverage Council of Ireland

OVERALL SOFT DRINKS CONSUMPTION

2008 – a tale of two halves. A tough year which saw a poor summer for the second year running and a turbulent economic environment. This culminated in a global financial crash of a magnitude not witnessed for decades. In light of these challenging factors, it is unsurprising that the Irish soft drinks market registered a 28 million litre volume decline of 3.2% to stand at 858 million litres, with an overall market value of €1,060 million, 2.3% down from 2007.

IRELAND SOFT DRINKS CONSUMPTION, 2002-2008



57%

share for low/no cal options

Source: Zenith International

2008 started well, with the industry feeling that a good summer would drive demand and help stimulate the soft drinks market. As June turned into July and then August, it quickly became apparent that there was to be no glorious summer. Average temperatures fell below those of 2007 and average rainfall was higher than in the dreadful 2007 summer.

Ireland was the first economy in the Eurozone to declare a recession, Ireland's first since 1983. As consumers sought to control their spending this had a profound impact on soft drinks purchasing habits. Value brands and discounters benefited, while consumers opted for premium products as a less than frequent treat.

Cash mindful shoppers continued to tighten their belts. In some instances, lower cost private label flourished. Here, Irish consumers, convinced by product quality, began to trade down to save their Euros. In other instances, consumers simply reduced their rate of purchase. As consumers and retailers pushed for value, branded offerings witnessed heavy price promotions. Retailer own brand products benefited during those quieter periods of heavy brand promotion.

With many categories experiencing a decline in consumption it was bottled water, once the darling of the soft drinks industry, that witnessed the steepest decline. Having witnessed year on year core growth over many years, the bottled water category went from a 14.2% increase in 2007, to a 5.2% decline in 2008.

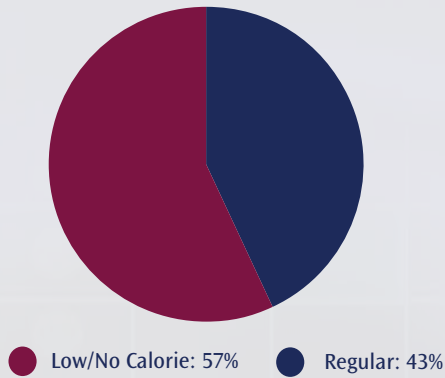
Still and juice drinks, energy drinks and not from concentrate juices were the only areas to record volume growth in 2008. Here,

continued promotional activity by brand owners and retailer own labels alike, provided lower cost choice for consumers and helped to maintain volume growth. For energy drinks specifically, an energy boost is perhaps needed more than ever in uncertain economic times. Time poor consumers working day and night continue to benefit from the mental and physical pick me up provided by functional energy drinks.

With footfall down, due to consumer confidence being hit by the economy and rising unemployment, conditions across the licensed trade, particularly outside the major urban areas, worsened in 2008. As a consequence, the licensed trade's percentage share of the total soft drinks market fell for another year down from 9.3% in 2007 to 8.9% in 2008.

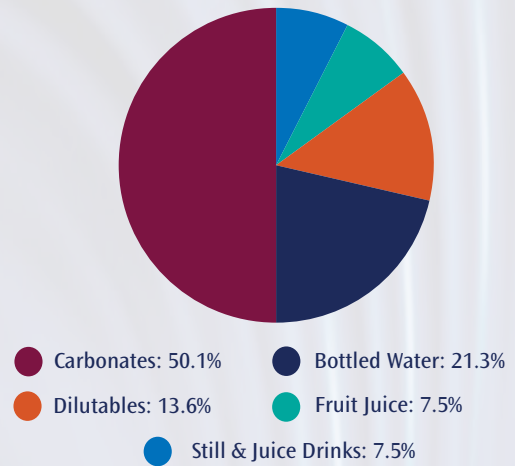
2008 saw value increase its role as a factor influencing consumer purchasing decisions. From the additional challenge of lower priced Sterling products in the north, discounter shopping and price promotion became ever more de rigueur in Ireland. In tandem, health continues to be a driving influence in determining purchasing behaviour. Ever more complex consumers are fluctuating their purchasing choices, and the industry has responded by providing value for money, healthy and convenient product offerings. The economy undoubtedly presents a clear and present danger and the soft drinks industry is adapting to these changing times. VAT Rates on FRBs in the Republic of Ireland, now 6.5 percentage points higher than the UK, must be addressed urgently by Government.

**IRELAND SOFT DRINKS,
LOW CALORIE & NO ADDED SUGAR VS REGULAR,
2008**



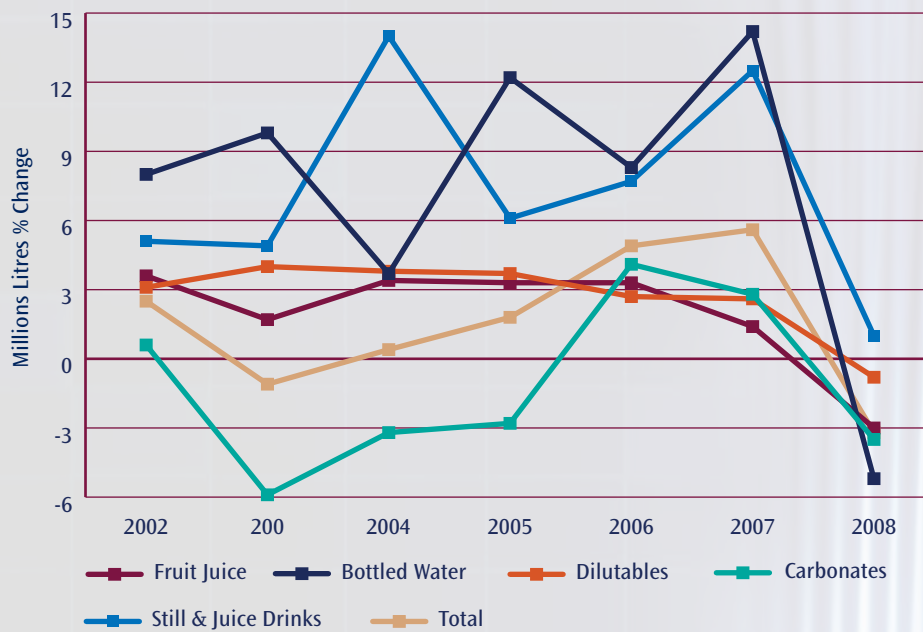
Source: Zenith International

IRELAND SOFT DRINKS SECTORS, 2008



Source: Zenith International

**IRELAND SOFT DRINKS SECTORS
ANNUAL PERCENTAGE CHANGE, 2002-08**



Source: Zenith International

IRELAND SOFT DRINKS CONSUMPTION, 2002-08

	2002	2003	2004	2005	2006	2007	2008
Million litres	792	783	786	800	839	886	858
% change	+2.5	-1.1	+0.4	+1.8	+4.9	+5.6	-3.2
Litres per person	202	196	193	193	199	206	201

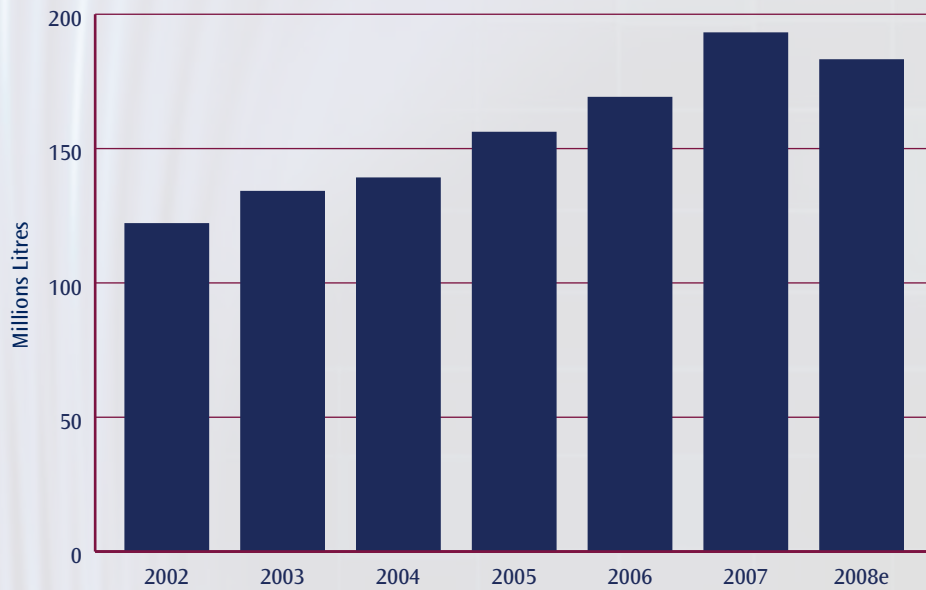
BOTTLED WATER

The virtues of zero calorie hydration battled against economic hardship in 2008 and the bottled water sector finished the year at 183 million litres. Accounting for over 21% of the soft drinks market, volume growth dropped by 5.2% in 2008. Retail value stood at €190 million.

21%

of soft drinks market

IRELAND BOTTLED WATER CONSUMPTION, 2002-08

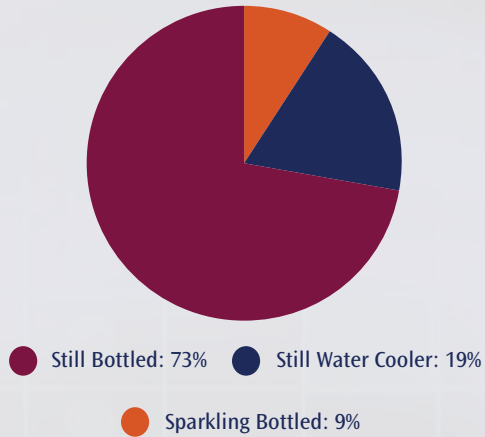


Source: Zenith International

- Heavy drinkers of bottled water tend to remain loyal. Yet all cost conscious consumers, particularly those who consume less regularly, may question the value of bottled water in times of austerity. In efforts to maintain and grow market share, brands and private label were involved in strong promotional activity, each attempting to ride the wave of the downturn and demonstrate that they offer real value.
- Plain, still, unflavoured water continues to flood the sector with its everyday hydration qualities, accounting for around 91% of total volumes. Small pack formats in sizes of 10 litres and below maintained their 2007 market share with 81% of bottled water consumed.
- 2 litre still bottled water formats performed best in 2008, increasing their relative market share by over 1%. This was driven in large part by the value aspect, but also ongoing consumer scepticism over the quality of Irish tap water in certain regions. Carbonated water sparkled, increasing its relative market share slightly, up from 8% to nearly 9% in 2008.
- Mineral water maintained its 82% stronghold as in 2007 with spring water accounting for another 15%. Multi-source bottled drinking water with 3% market share makes up the remainder.
- Ethical and functional waters, despite remaining niche, enticed those curious and philanthropic consumers looking to make good with their spend.
- Plastic packaging remained king, with 95% share, as manufacturers and consumers alike coveted its attributes of convenience, recyclability and ease of transportation. Glass maintained its premium dining table positioning with a 5% share.

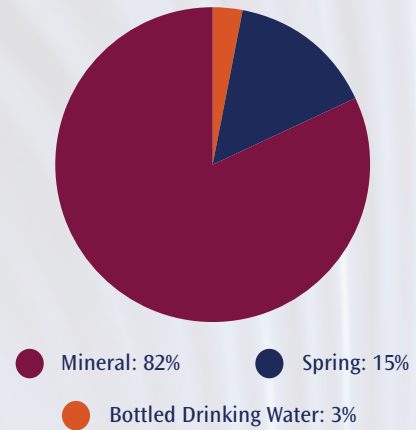
Value, value, value is the cry from Irish consumers as they retrench in a gloomy economic period. Value bottled water offerings will drive any mass category comeback, whilst premium offerings will benefit from consumers who want a little bit of luxury in their lives. Despite an initial hit, the category should hopefully avoid any ill-fated future as the perceived health virtues of water provide a lifeline during the tumultuous economic times ahead.

IRELAND BOTTLED WATER CATEGORIES, 2008



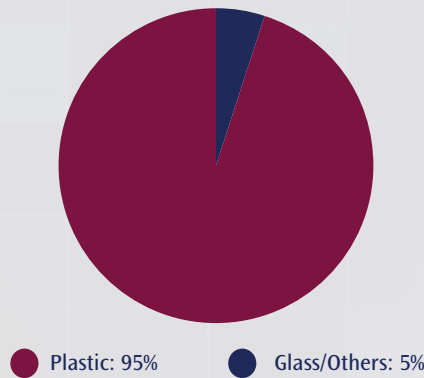
Source: Zenith International

IRELAND BOTTLED WATER TYPES, 2008



Source: Zenith International

IRELAND BOTTLED WATER PACKAGING, 2008



Source: Zenith International

IRELAND BOTTLED WATER CONSUMPTION, 2002-08

	2002	2003	2004	2005	2006	2007	2008e
Million litres	122	134	139	156	169	193	183
% change	+8.0	+9.8	+3.7	+12.2	+8.3	+14.2	-5.2
Litres per person	31.1	33.5	34.2	37.7	40.0	44.9	42.8
% of all soft drinks	15.4	17.1	17.7	19.5	20.1	21.7	21.3

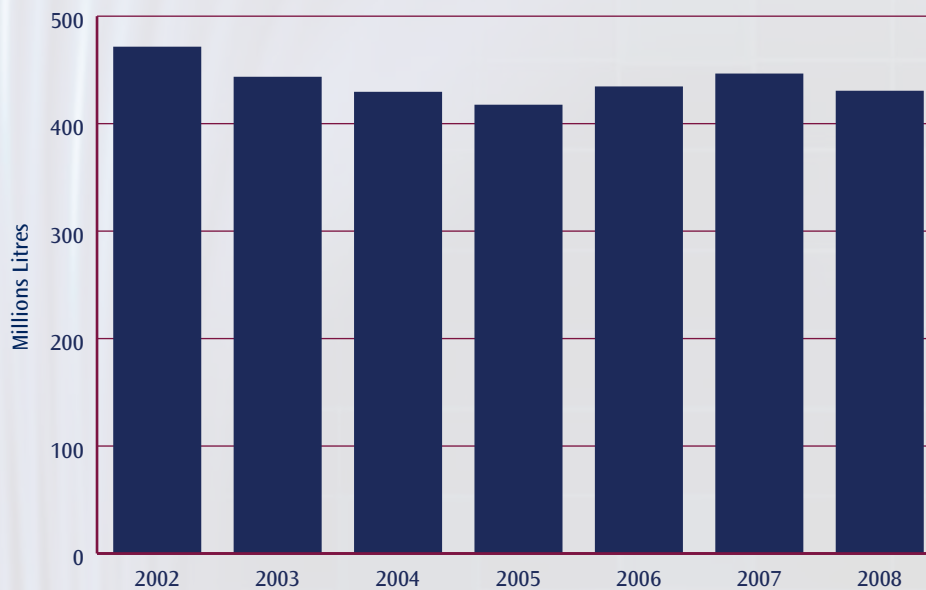
CARBONATES

Carbonates retained their position as the largest soft drinks sector in the Irish market with just over 50% of all soft drinks consumed. Carbonated soft drinks witnessed a 3.6% volume decline in 2008 taking total category volume to 430 million litres. Retail value stood at €585 million.

50%

of overall
soft drinks market

IRELAND CARBONATES CONSUMPTION, 2002-08

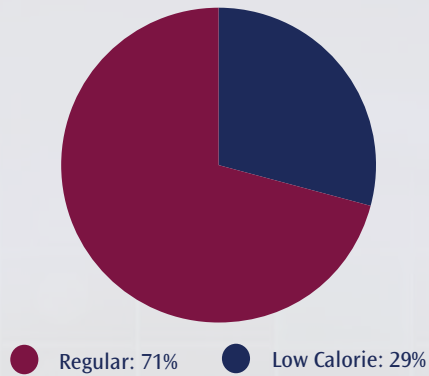


Source: Zenith International

- Carbonates held on to their market leading position in 2008 representing a 50.1% share of the total soft drinks market.
- Innovation and brand extension focused on providing a much needed energy hit for both body and mind, along with premium carbonates providing a more natural choice for health conscious consumers.
- Discounter trade grew as consumers seeking value were offered both private label and imported branded variants. The convenience channel, served by outlets such as small stores and petrol stations, was hit hard as economic difficulties unfolded notably in the second half of the year.
- As consumers viewed *staying in as the new going out*, falling consumer confidence and a reduction in a willingness to spend resulted in a fall in pub and restaurant visits and a corresponding hit on the licensed trade.
- Diet carbonated drinks held steady, increasing their share slightly to 29% of the carbonated soft drinks category.
- Cola outperformed the market, witnessing only a 2.4% decline in 2008. Seen to provide escapism, fun and enjoyment without denting consumer's pockets, cola remains the dominant flavour.
- Energy drinks started the year in a good position and saw first half increases, delivering a boost to time poor consumers. As economic pressures tightened, volume sales fell back somewhat. Yet, the energy drinks category was able to buck a downward trend and register growth overall. Engaging with consumers – from concentrated shot formats, to regular and super size cans – will be required to get back to double digit growth going forwards.
- PET retained pole position as the preferred packaging type, dominating for take home and on the move occasions with 2 litre and 500ml formats the most popular. Glass continued its role as the format for premium and on trade products.

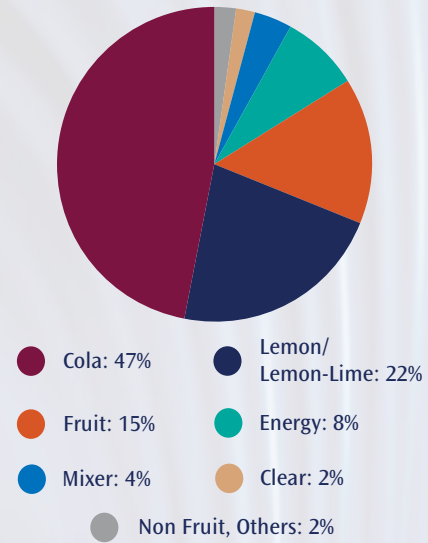
With an upturn in the Irish economy not expected until 2011 at least, the challenge is to get consumers back into the habit of consuming soft drinks. Consumers will want it all when it comes to new products – functionality, health, taste and convenience all at value prices. Even in times of economic doom and gloom, a consumer desire for a glug of feel good indulgence will mean that the bubble for carbonates is yet to burst.

**IRELAND CARBONATES
REGULAR VS LOW CALORIE, 2008**



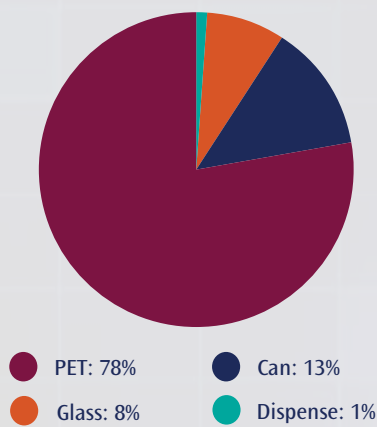
Source: Zenith International

IRELAND CARBONATES FLAVOURS, 2008



Source: Zenith International

IRELAND CARBONATES PACKAGING, 2008



Source: Zenith International

IRELAND CARBONATES CONSUMPTION, 2002-08

	2002	2003	2004	2005	2006	2007	2008
Million litres	471	443	429	417	434	446	430
% change	+0.6	-5.9	-3.2	-2.8	+4.1	+2.8	-3.6
Litres per person	120.0	110.9	105.5	100.7	102.8	103.7	100.5
% of all soft drinks	59.5	56.6	54.6	52.1	51.7	50.3	50.1

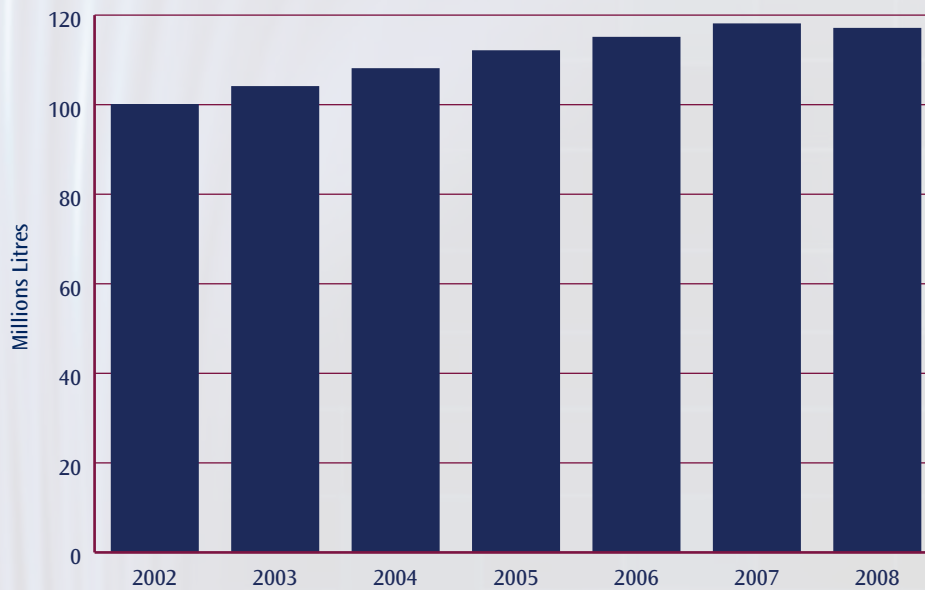
DILUTABLES

Dilute to taste drinks consumption held firm in 2008, with volume consumption of 117 million litres in ready to drink terms. Retail sales value reached €42 million.

14%

of overall
soft drinks market

IRELAND DILUTABLES CONSUMPTION, 2002-08



Source: Zenith International

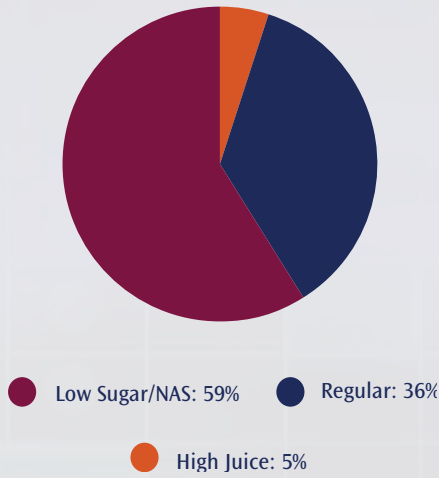
- Available in concentrate format – squashes and other dilute to taste drinks are usually mixed one part concentrate to four parts water. Premium positioned cordials differ to their sector cousins in that they are often mixed one part concentrate to ten parts water.
- Despite registering a year on year decline, with a marginal 0.8% fall in 2008, dilutables claimed nearly 14% of the total soft drinks market, ranking them third in the popularity chart and giving them increased market share on 2007.
- The benefits of remaining hydrated are now widely accepted by consumers. Dilutables have a key role to play here as a value driven, tasty alternative to bottled water and still & juice drinks. Dilutables also provide a refreshing and flavoursome option for parents seeking added value and dependability, providing on shelf availability in the home.
- As an essentially take home product, the dilutables category was less impacted than other soft drinks by the fall in purchasing frequency experienced across the convenience and impulse sales channel.
- At one end of the spectrum, traditional squashes are ‘going large’ with format sizes, along with branded price promotions,

whilst at the other end, niche cordials and syrups in glass and plastic bottles are aimed at adult indulgence. Here, retailer own label premium cordials are helping to stabilise prices.

- Dilutables fit in with the trend for healthy products too. Nearly two thirds of all dilutables sold fall into the high juice or low/no added sugar category.
- Changing tastes have required squash and cordial producers to deliver new flavours and formulations to Irish consumers, combining the traditional with the new. Mainstay flavours such as orange are being blended with the exotic, such as mango and Mexican lime. In 2008, blends and orange flavoured variants took a combined lion’s share of the flavours consumed, representing 41% and 38% respectively.

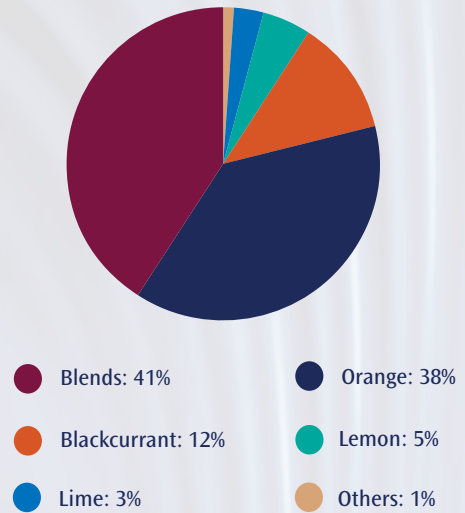
Dilutables are in a prime position to benefit from a consumer focus on value. Squash operators need to engage further with consumers, providing enticing, flavoursome, value driven offerings. The role of dilutables in multiple situations – from refilling sports bottles for use at the gym to being consumed on family outings – provides the category with an upside. The recession could be the opportunity for dilutables players to reignite the category and for it to benefit from its mass appeal. With the credit crunch biting at all consumer segments, dilutables may yet reap the rewards.

**IRELAND DILUTABLES
REGULAR VS LOW CALORIE, 2008**



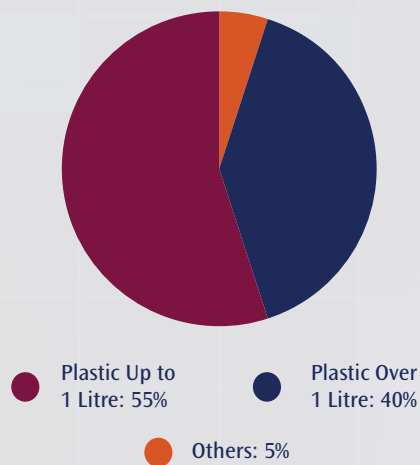
Source: Zenith International

IRELAND DILUTABLES FLAVOURS, 2008



Source: Zenith International

IRELAND DILUTABLES PACKAGING, 2008



Source: Zenith International

IRELAND DILUTABLES CONSUMPTION, 2002-08

	2002	2003	2004	2005	2006	2007	2008
Million litres (ready to drink)	100	104	108	112	115	118	117
% change	+3.1	+4.0	+3.8	+3.7	+2.7	+2.6	-0.8
Litres per person	25.5	26.0	26.5	26.5	27.0	27.2	27.4
% of all soft drinks	12.6	13.3	13.7	14.0	13.7	13.3	13.6

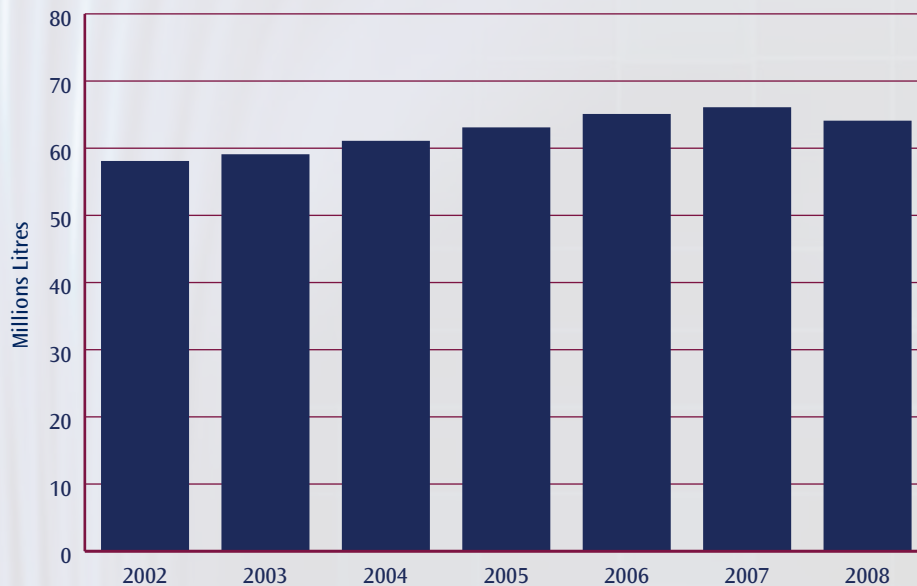
FRUIT JUICE

A blend of rising raw material and transportation costs, coupled with reduced consumer spend, saw fruit juice volumes fall by 3.0% to 64 million litres. 2008 was by no means a rotten year with some segments holding firm. Heavy price promotion saw retail values reach €138 million.

60%

of sector is attributed to orange juice

IRELAND FRUIT JUICE CONSUMPTION, 2002-08

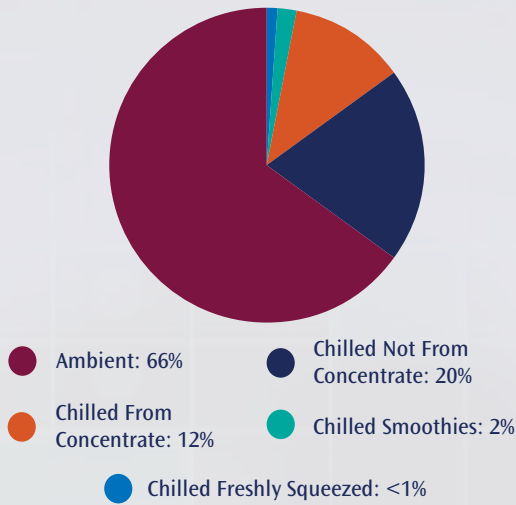


Source: Zenith International

- Promotions and delivering value were key in 2008. As consumers, reluctant to neglect juice's association with purity and health, sought better value offerings, retailers and manufacturers responded with discounts and price promotions. In these cost conscious times, consumers traded down the category, sometimes switching from branded to private label products.
- On top of continued rising production and distribution costs, the Irish juice sector faced the additional problems of currency shifts, with imported fruit becoming increasingly more costly. Meanwhile, as the UK economy descended into its own recession, the pound became weaker against the Euro making UK imports and cross border shopping more attractive.
- Price differentials between branded and private label variants levelled. Along with discounters stocking premium branded products, selling at reduced prices, consumers had even better value choice. Price sensitivity became paramount, with product selection often driven by who is on promotion rather than brand loyalty per se.
- One area bucking the trend and experiencing juicy growth were sales of not from concentrate (NFC) juice. Chilled NFC juice saw volume increases of 2% in 2008, supporting the idea that even in these uncertain economic times, premium can prevail.
- Orange juice dominates the sector with a share of 60%. Apple takes up another 14%. Berried fruits maintained third place, increasing by 2 share points as cranberry helped fuel these gains. Pomegranate had a relatively fruitful year, albeit from a very low base
- Smoothies squashed by the credit crunch with their higher values per litre, saw their previously stellar growth rates fall back, registering a volume decline of 4.9% in 2008.
- For juice packaging, carton remains dominant for at home consumption, whilst PET is the king of the convenience chiller and on the go consumption. Glass is the preferred option in the on trade.

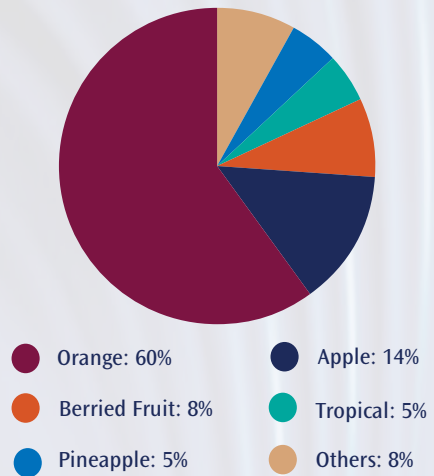
For juices to regain some of their pre 2008 momentum, the challenge will be one of providing added value to an ever more whimsical consumer, no longer subconsciously bowing to brand loyalty. Health as a key driver in purchasing behaviour is unlikely to disappear as a result of the global economic crisis. Manufacturers and retailers alike will need to focus on how products drive value from the 'good for you' angle, enticing consumers with new flavours and concepts at affordable prices.

IRELAND AMBIENT VS CHILLED FRUIT JUICE, 2008



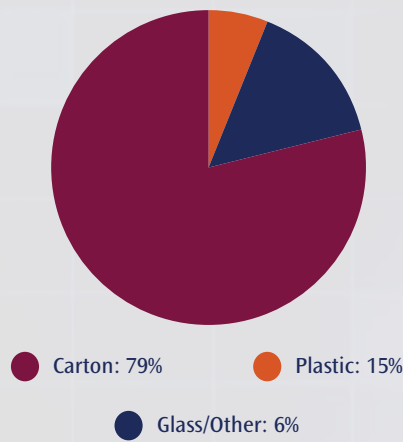
Source: Zenith International

IRELAND FRUIT JUICE FLAVOURS, 2008



Source: Zenith International

IRELAND FRUIT JUICE PACKAGING, 2008



Source: Zenith International

IRELAND FRUIT JUICE CONSUMPTION, 2002-08

	2002	2003	2004	2005	2006	2007	2008
Million litres	58	59	61	63	65	66	64
% change	+3.6	+1.7	+3.4	+3.3	+3.3	+1.5	-3.0
Litres per person	14.8	14.8	15.0	15.2	15.4	15.3	15.0
% of all soft drinks	7.3	7.5	7.8	7.9	7.8	7.4	7.5

STILL & JUICE DRINKS

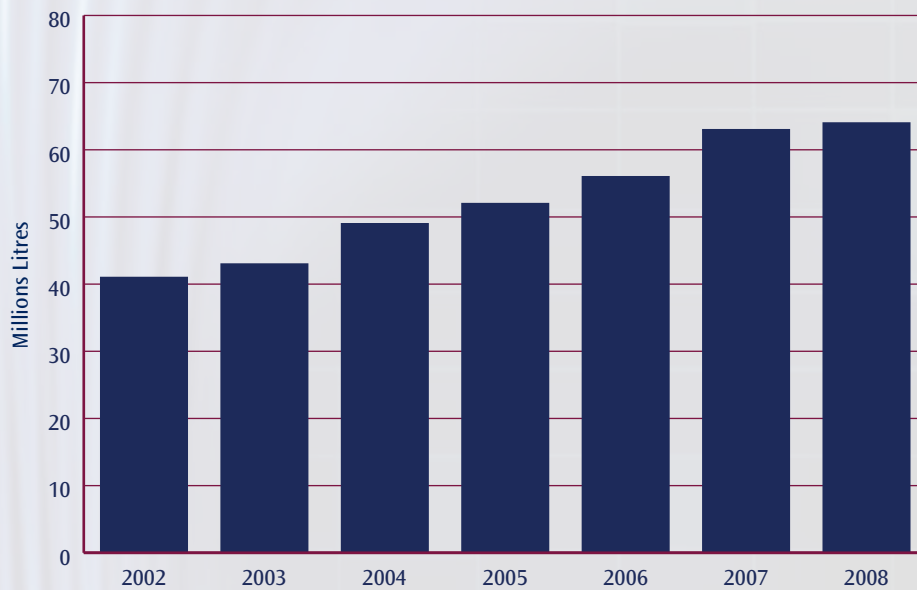
With volume growth of 1.6%, the still and juice drinks sector was a winner in 2008.

Value sales matched the category's volume gains, up nearly 2.0% to reach €106 million.

8%

of overall market
following 1.6% growth

IRELAND STILL & JUICE DRINKS CONSUMPTION, 2002-08



Source: Zenith International

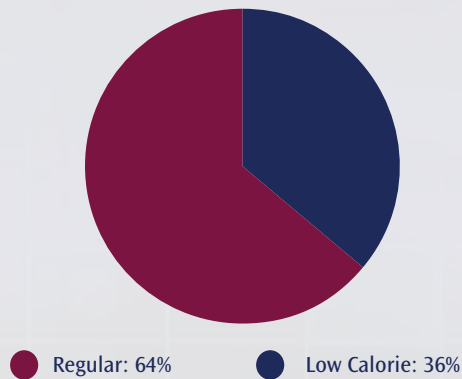
- Once again, the still and juice drinks sector generated growth. This was even more impressive given testing trading conditions and the sector reached nearly 8% of total soft drink volumes.
- Defined as: nectars with 25% to 99% juice, 5% to 24% juice drinks and lower juice concentrations found in still flavoured waters, sports drinks and iced teas, the still and juice drinks sector has been amongst the most resilient at battling the elements in Ireland.
- The sector has benefited overall by providing a flavoursome healthy alternative for a multitude of occasions at home or on the go. New products have emerged including: super fruit juice drinks, enriched waters and functional dairy blends.
- There was mixed performance across the sector in 2008, with juice drinks faring best as consumers looked for tasty, gluggable, value for money refreshment, whilst still flavoured waters and other segments largely remained static.
- Sports drinks, which started the year with strong double digit growth, benefiting from increased consumption occasions,

price promotions and the Beijing Olympics, saw their growth performance hampered in the latter part of the year, amidst a tightening of budgets, ending the year down slightly on 2007 volumes.

- Overall growth in still and juice drinks is even more impressive given the role of the on premise channel in its fortunes. Here, consumers have reviewed their financial situations. Pubs and restaurants where still and juice drinks play a vital role as alternatives or accompaniments to coffee and alcohol; have seen a downturn in footfall and consequently a reduction in soft drinks consumption.

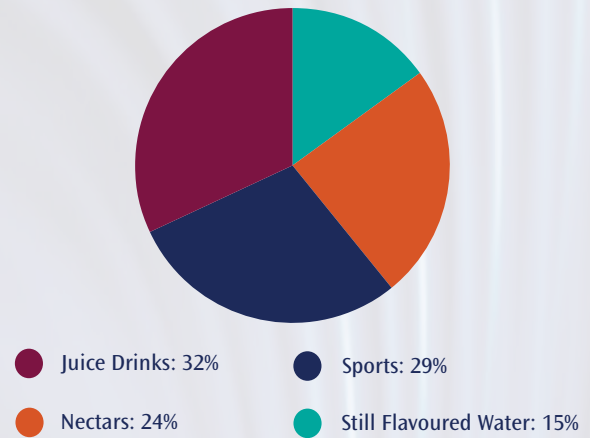
As value becomes ever more key in the short term as a factor for determining consumer beverage selection, whether at home or on the go, the still and juice drinks category is in a good position to benefit. Providing consumers with offerings that transcend the dominant trends of value, health, wellness and variety, the sector is primed to experience further growth with drinks to pleasure all target consumers from toddlers through to adults alike.

**IRELAND STILL & JUICE DRINKS
REGULAR VS LOW CALORIE, 2008**



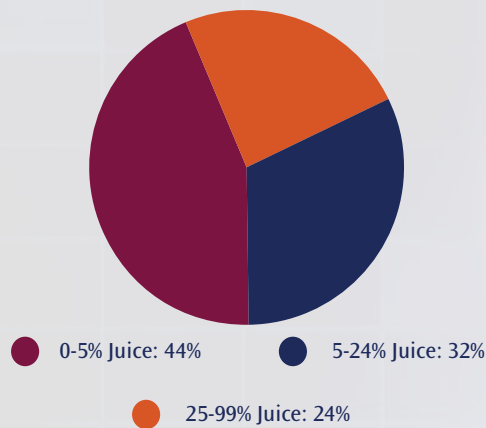
Source: Zenith International

**IRELAND STILL & JUICE DRINKS
CATEGORIES, 2008**



Source: Zenith International

**IRELAND STILL & JUICE DRINKS
CONTENT, 2008**



Source: Zenith International

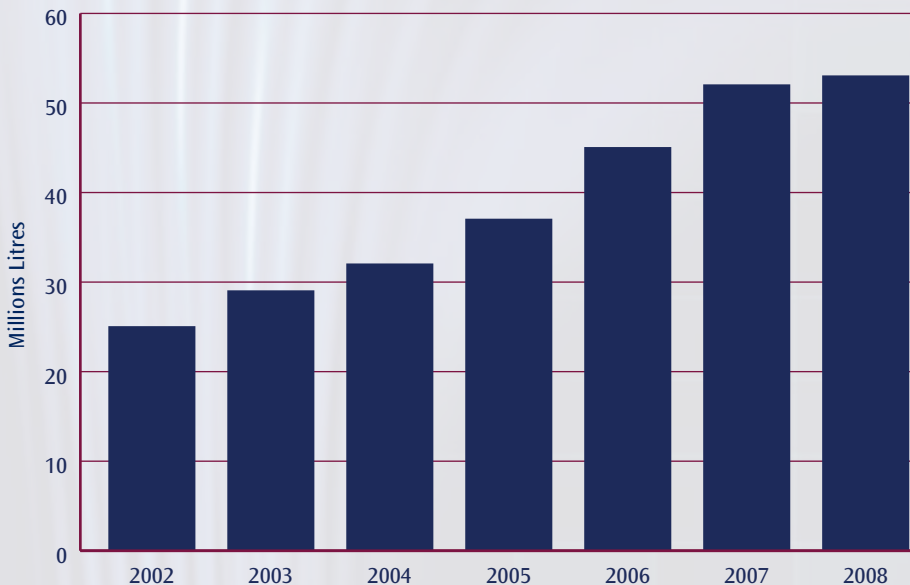
IRELAND STILL & JUICE DRINKS CONSUMPTION, 2002-08

	2002	2003	2004	2005	2006	2007	2008
Million litres	41	43	49	52	56	63	64
% change	+5.1	+4.9	+14.0	+6.1	+7.7	+12.5	+1.6
Litres per person	10.4	10.8	12.0	12.6	13.3	14.6	15.0
% of all soft drinks	5.2	5.5	6.2	6.5	6.7	7.1	7.5

SPORTS & ENERGY DRINKS

The sports and energy drinks category went for gold in 2008 and outperformed the market, achieving a 2.0% volume uplift. This translates into consumption per person of 12.4 litres and a value of nearly €308 million.

IRELAND SPORTS & ENERGY DRINKS CONSUMPTION, 2002-08



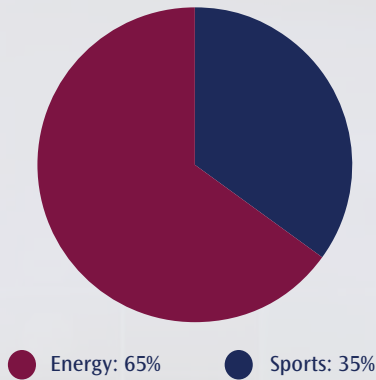
6.2%
of overall market
following 2% of growth

Source: Zenith International

- Hydration and replenishment, before, during and post exercise define the sports category, whilst the quest for a mental and physical fix characterises energy drinks. Albeit, in recent years there has been a blurring of these traditional boundaries. Energy drinks maybe used alongside sporting activities such as triathlons, and sports drinks can be consumed as an everyday hydrating accompaniment at lunchtime and as a pick me up during the day.
- Energy drinks are broken down into two sub categories: stimulant energy comprised of caffeine and other ingredients, primarily packaged in a 250ml can but increasingly found in 500ml cans, and glucose based energy formats, usually packaged in PET bottles.
- Within the sports arena, the drive for lower calorie and more 'natural' healthy alternatives means that there are now variants to suit a wide variety of consumer needs; from high sugar hypertonic sports drinks for the extreme sportsperson, to the more common mid calorie isotonic and growing number of lower sugar hypotonic drinks aimed at calorie conscious gym-goers.
- In energy the category has seen the continued rise of sugar free variants, natural energisers such as ginseng, guarana and tea, along with a relatively new phenomenon – the energy shot, with its reduced volume of less than 100ml providing a lower calorie alternative to its 250ml and 500ml siblings.
- Uncertain times can mean that working 9 to 5 becomes an ever distant memory. Energy drinks in particular provide us with a much needed pep to see us through our extended days and hectic lifestyles.
- Active energy and replenishment are thus key to today's consumers. New product development is now focusing on the consumer interest in healthier energy boosting alternatives. Newer, all-natural, fruit based energy drinks which have added vitamins and minerals alongside green tea and phytonutrients are finding new ways to deliver an energy burst. Whether as an alternative to water during physical activity or as an energy hit throughout the day, sports and energy drinks help to recharge our batteries in our time of need.

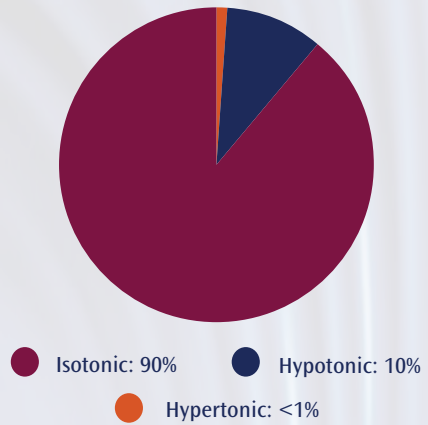
Focusing on the basics of hydration and replenishment and delivering an energy boost, should help the sports and energy drinks category prevail. Alongside this, there are opportunities in varying the product mix into concentrated shots and larger can formats. Marketing support by the main branded players and sales of cheaper imported products via discounters should drive the category forward during these tough economic times. From busy mothers through to time stretched executives and the active elderly, sports and energy drinks provide a platform for delivering a physical and mental top up.

IRELAND SPORTS & ENERGY DRINKS, 2008



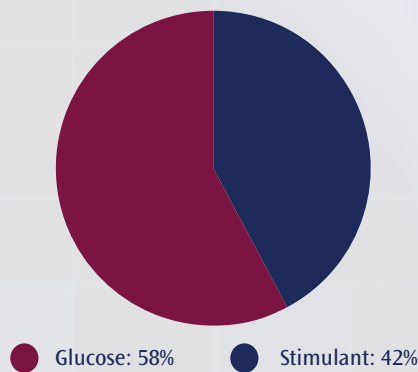
Source: Zenith International

IRELAND SPORTS DRINK TYPES, 2008



Source: Zenith International

IRELAND ENERGY DRINK TYPES, 2008



Source: Zenith International

IRELAND SPORTS & ENERGY DRINKS CONSUMPTION, 2002-08

	2002	2003	2004	2005	2006	2007	2008
Million litres	25.0	29.0	32.0	37.0	45.0	52.0	53.0
% change	+13.6	+16.0	+10.3	+15.6	+21.6	+15.6	+2.0
Litres per person	6.4	7.3	7.9	8.9	10.7	12.1	12.4
% of all soft drinks	3.1	3.8	4.3	4.7	5.3	5.9	6.2
SPORTS DRINKS, million litres	10.0	11.0	12.0	14.0	17.0	19.0	18.5
% change	+11.1	+10.0	+9.1	+16.7	+21.4	+11.8	-2.6
Litres per person	2.5	2.8	3.2	3.4	3.8	4.4	4.3
% of all soft drinks	1.2	1.3	1.4	1.5	1.8	2.1	2.2
ENERGY DRINKS, million litres	15.0	18.0	20.0	23.0	28.0	33.0	34.5
% change	+15.4	+20.0	+11.1	+15.0	+21.7	+17.9	+4.7
Litres per person	3.8	4.5	4.9	5.6	6.6	7.7	8.1
% of all soft drinks	1.9	2.3	2.5	2.9	3.3	3.7	4.0

THE LICENSED TRADE

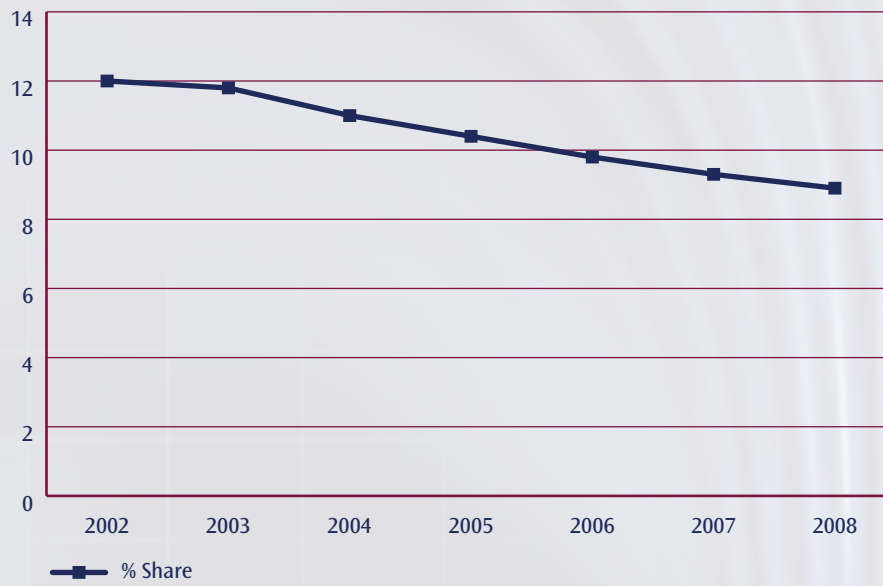
With footfall down overall soft drinks sales in the licensed trade fell to an estimated 76 million litres, representing just under 9% of the total soft drinks market.

- The licensed trade in Ireland has been in decline over recent years and as a result so have the sales of soft drinks in this sales channel. 2008 saw a 7.1% decline in soft drinks consumed in licensed premises.
- Initially (and ironically) hit by the rising affluence of the country, which saw consumers faced with more choice and less time, local rural pubs were hit hard. Then came the introduction of the smoking ban in 2004 and the rescinding of the Groceries Order in 2005 all having an effect on the struggling licensed trade and its ability to make ends meet.
- Whilst two consecutive poor summers have not deterred the Irish consumer from visiting the pub, in 2008 many consumers did opt to stay at home, sheltering from the rain and taking advantage of lower priced take home alcohol.
- As the Irish economy plunged into recession throughout 2008, consumers reined in their spend, purchasing their alcohol from supermarkets and discounters rather than going out as frequently. Soft drinks' role as the beverage of choice for the 'designated driver' was thus impacted. With fewer people going into pubs, there was a resulting fall in soft drinks sales across this channel.
- With their role for mixing with spirits offerings in the pub environment, mixers and splits (larger formats of 170ml to 220ml) fared the worst, falling 8.4% and 12.5% respectively. Bottled water, despite double digit volume gains in 2007, saw volumes fall by nearly 10% in 2008.
- Fruit juices, juice drinks and draught carbonates saw their volumes decline at a lower than average category rate. Juices and juice drinks still benefit from the consumer desire for 'better for you' drinks, whilst carbonates, a staple purchase by many pub-goers are less impacted by the perilous effects of the weather and other negative factors.

As the Irish economy continues to be buffeted by the global credit crunch and as consumer sentiment weakens further with people more negative about their present and future financial situation, 2009 is set to be a challenging year. Soft drink manufacturers will need to work closely with drinks distributors, along with licensed retailers and independently owned outlets to encourage consumers to enter the licensed trade through innovative, value driven promotions.

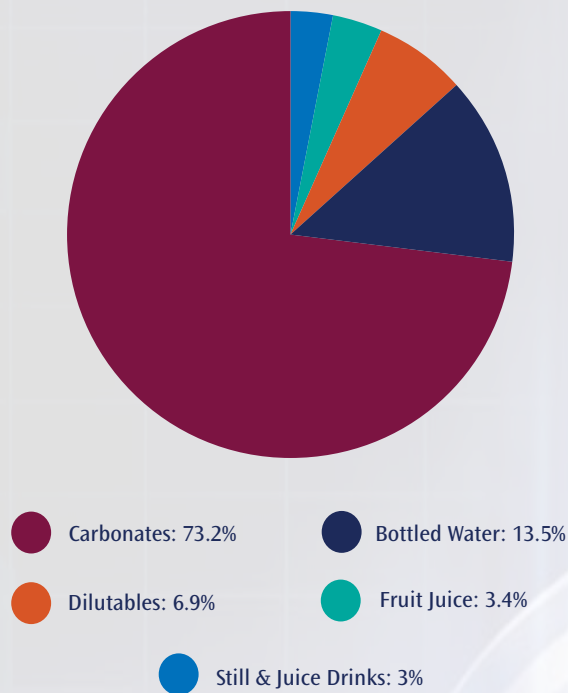
Soft drinks are about fun and refreshment. They provide great taste and a treat for all occasions. In the licensed trade, they help consumers drive safely. A partnership between all stakeholders should reinforce the importance of pubs, hotels and restaurants as a place for enjoyment and socialising. After all, these are occasions that will help the Irish consumer to put the current economic storm into perspective. RSPs need to be more Consumer Friendly in this channel.

LICENSED TRADE ESTIMATED PERCENTAGE SHARE OF TOTAL IRISH SOFT DRINKS MARKET, 2002-08



Source: Zenith International

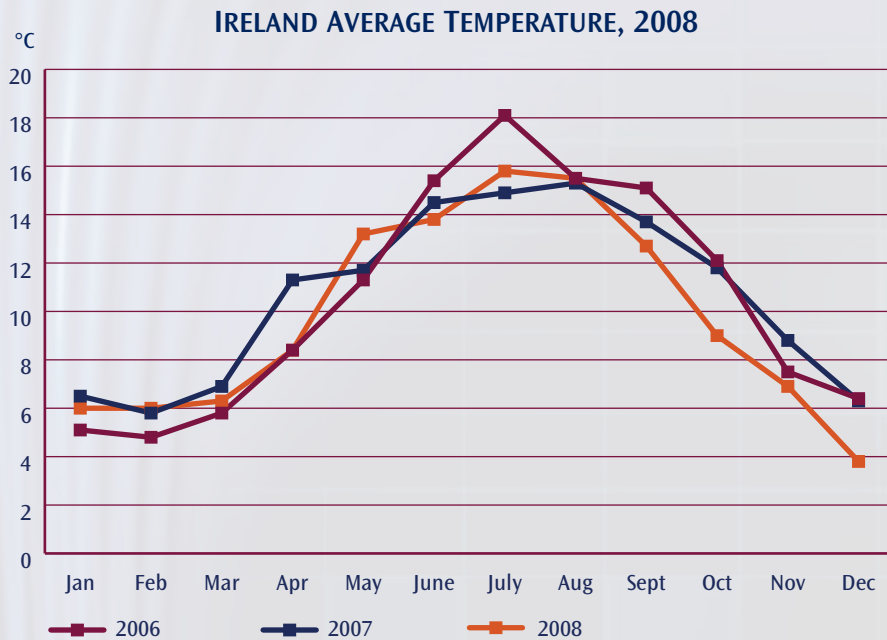
LICENSED TRADE BY CATEGORY, ESTIMATED PERCENTAGE SHARE, 2002-08



Source: Zenith International

THE WEATHER IN 2008

Another dismal performance on the weather front, saw a horrific summer with heavy rains dampening consumer demand for thirst quenching soft drinks, leading to a lack of a feel-good factor for the industry as a whole.



Source: Met Office

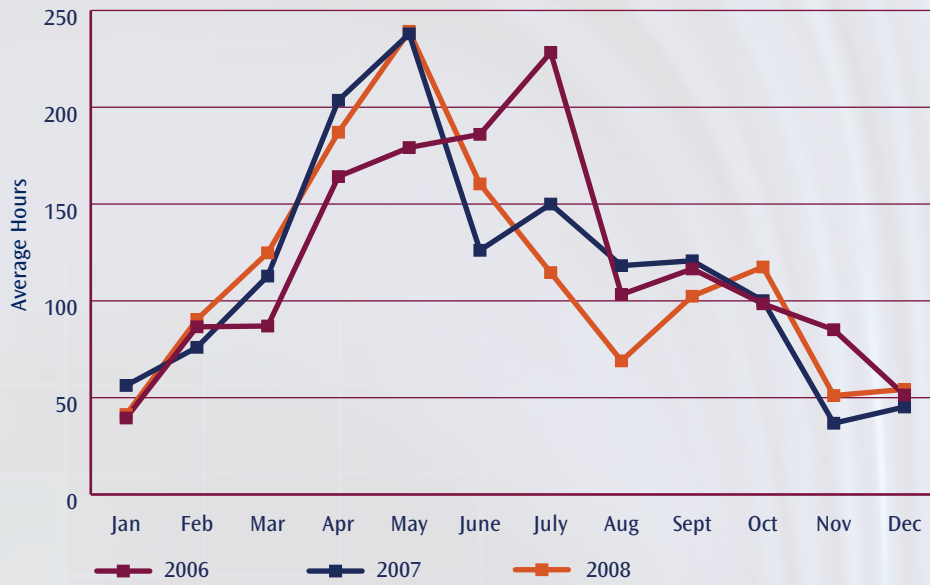
- The perfect summer sees a warm and dry St. Patrick's day, followed by a good Easter break as people enjoy the usually warmer, drier weather and make the most of the holidays. This is then followed by a number of good weekends through until the end of September, with a rise in summer holiday temperatures experienced. These factors make for a soft drinks manufacturer's dream, as consumers reach out for refreshing soft drinks to quench their thirst and refresh their palate. This clearly did not happen in 2008.
- May set expectations soaring with the lowest rainfall and highest temperatures recorded for the five years from 2003. Confidence remained throughout June until July with consumers and manufacturer's alike crossing their fingers that 2008 would not be a washout as had happened in 2007. It was short lived. August came and the heaven's opened with rainfall a third higher than that of the previous year. August 2008 rainfall was more than twice that experienced in August 2006 and almost 9 times that experienced in 2003.
- While the economy presents the biggest challenge to the soft drinks industry, the impact of the weather should not be understated. Utilities such as electricity, gas and water suppliers are required by law to provide for the maximum

foreseeable demand and households are bound to pay up. As traded fast moving consumer goods, soft drinks are clearly different to this. Retailers want instant supplies, yet balk at the idea of paying for stockpiling in their warehouses. Soft drink supply and demand gambles on a number of factors, the weather being a key one.

- The soft drinks market is not unusual in facing peaks and troughs in demand brought on by unpredictable climatic conditions. A perennial planning problem for soft drinks manufacturers, the weather can be friend or foe to the soft drinks industry and 2008 was no exception with its high rainfall and low summer temperatures. Coupled with the economic pressures, it is testament to the flexibility and resilience of the Irish soft drinks market that the 2008 decline in volume consumption was not greater.

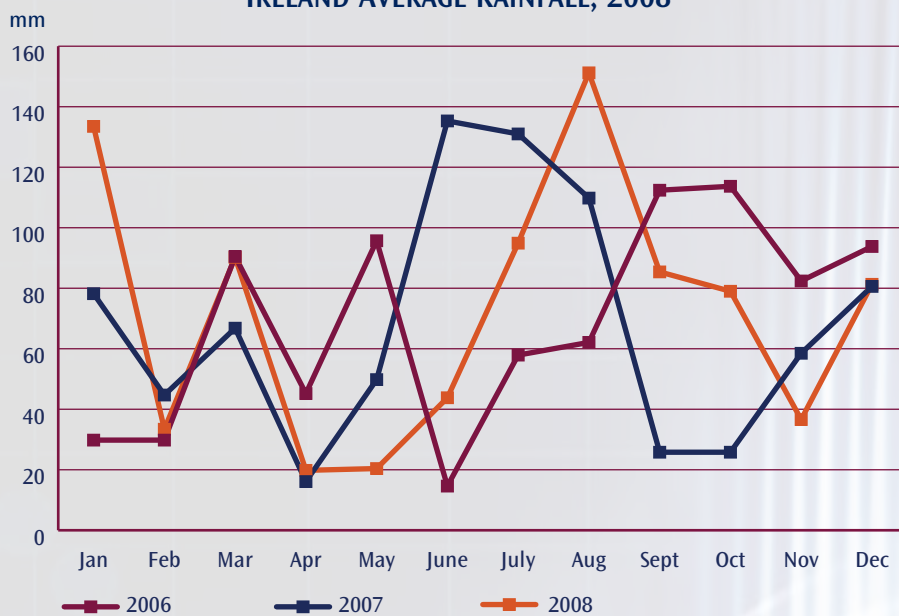
The link between hot weather and the success of the Irish soft drinks industry cannot be underestimated. Yet to try to predict what the weather has in store next week, let alone next year is a continuing challenge for every soft drink manufacturer and place of purchase. For 2009, with two consecutive poor years of weather, the Irish consumer and the wider soft drinks industry would clearly welcome a ray of sunshine.

IRELAND SUNSHINE HOURS, 2008



Source: Met Office

IRELAND AVERAGE RAINFALL, 2008

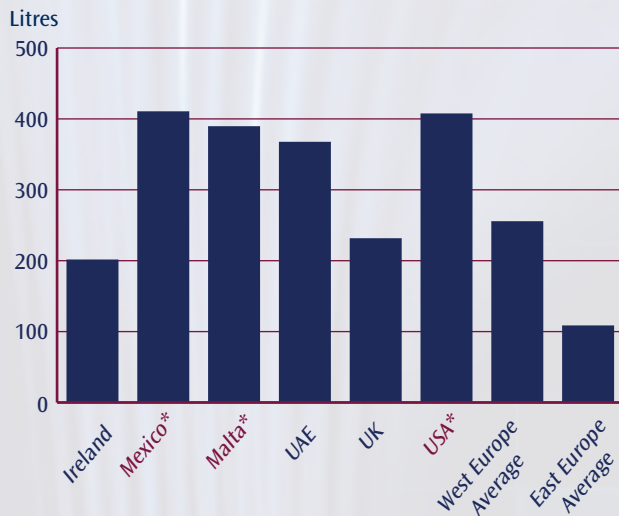


Source: Met Office

GLOBAL PERSPECTIVES

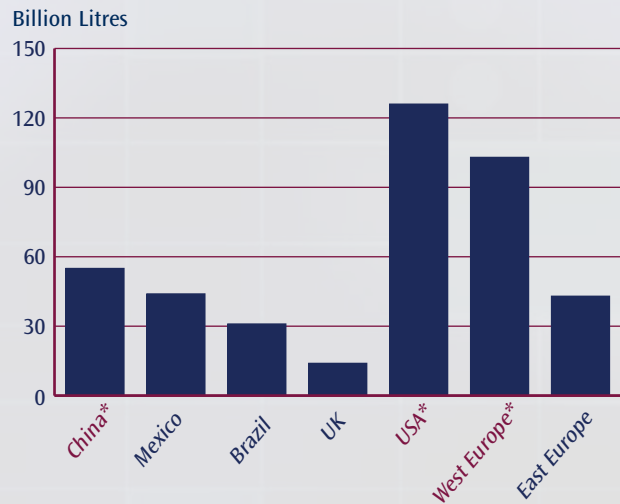
As the credit crunch spread globally, the 2008 global soft drinks market was kept afloat by dynamism in the emerging markets of Africa, Middle East, Asia Pacific, East Europe and parts of Latin America.

**SOFT DRINKS CONSUMPTION
PER PERSON BY COUNTRY, 2008**



Source: Zenith International, globaldrinks.com

**SOFT DRINKS CONSUMPTION
IN BILLION LITRES BY COUNTRY, 2008**

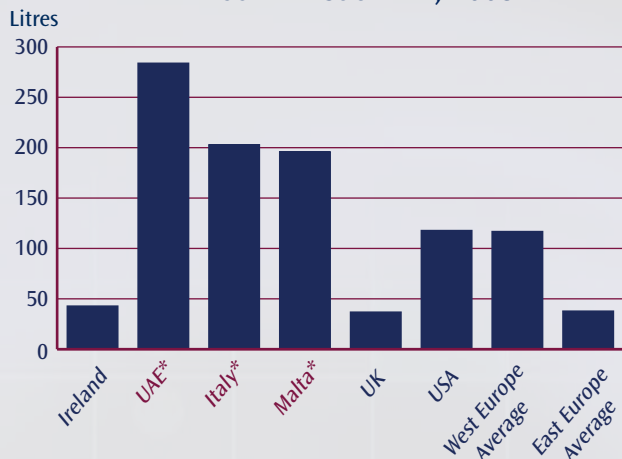


Source: Zenith International, globaldrinks.com

*Top Three Countries

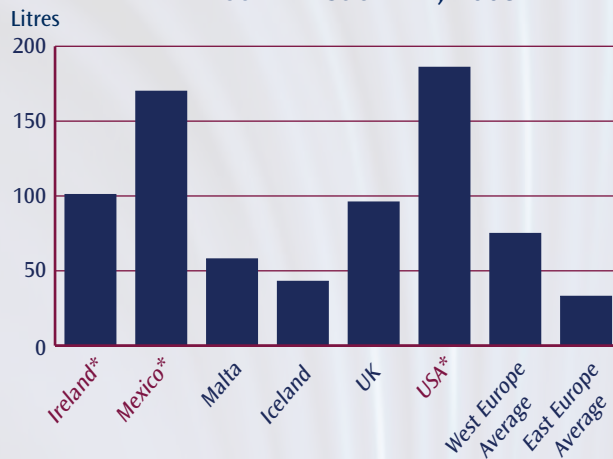
- Reflecting Irish trends, still and juice drinks are expected to spur future soft drink growth globally. Bottled water, fruit juice, carbonates and dilutables are anticipated to be the next best players.
- As consumers tighten their belts globally, total volume sales of soft drinks are expected to remain stable with some categories weathering the economic storm better than others.
- Global growth of bottled water is being driven by those markets where consumers are mistrustful of tap water and where bottled water is a more adolescent market, such as countries in Africa, the Middle East and the Asia Pacific region convenience is an important factor.
- Going forwards, soft drinks consumption per person in the more mature markets of North America, West Europe and Latin America should witness below average global growth. East Europe and Asia Pacific should drive growth momentum, with the nascent regions of Africa and the Middle East following, providing long term global growth prospects for soft drinks operators.
- At 201 litres per head in 2008, Ireland ranked 30th globally in terms of soft drinks consumption per person. Mexico overtook the USA in 2008, taking pole position with 410 litres per head; more than double that of Ireland.
- The UAE tops the bottled water charts when it comes to per capita consumption at 284 litres per head. Hot summers, tap water mistrust and a thriving tourism industry have thus far helped to boost bottled water sales in the region. Ireland is ranked 42nd globally in terms of bottled water consumption per head.
- At the pinnacle of carbonates consumption, the USA is the world's largest per capita consumer, with 186 litres per head. Mexico holds second place with 170 litres per head, whilst Ireland boasts 12th place with 101 litres.
- Maintaining 27 litres per head, Ireland ranks 8th globally for the per capita consumption of dilutables, double the European average of 16 litres.
- For global comparative reasons, 100% juice has been combined with 25% to 99% nectars. In this category Ireland ranked 30th for per capita consumption of fruit juice and nectars with 19 litres per head.
- To allow for global harmonisation of still and juice drinks, 25% to 99% nectars have been excluded from the still and juice drinks total. Here, Ireland ranks in 44th place with 11 litres, far behind Japan's lead of 86 litres per head.

BOTTLED WATER CONSUMPTION PER PERSON BY COUNTRY, 2008



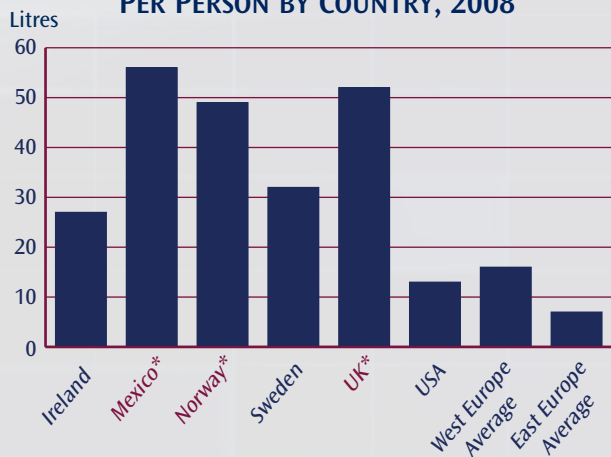
Source: Zenith International, globaldrinks.com

CARBONATES CONSUMPTION PER PERSON BY COUNTRY, 2008



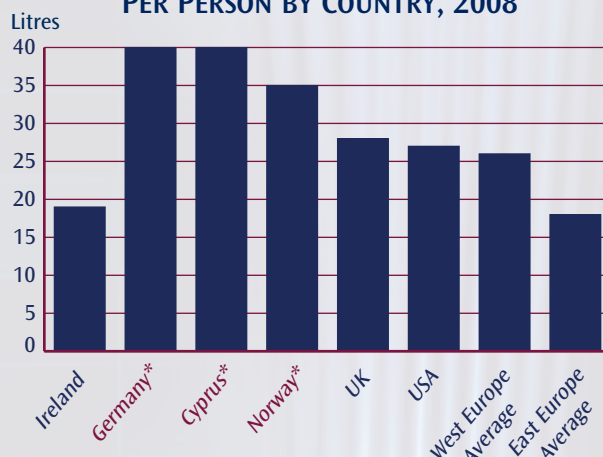
Source: Zenith International, globaldrinks.com

DILUTABLES CONSUMPTION PER PERSON BY COUNTRY, 2008



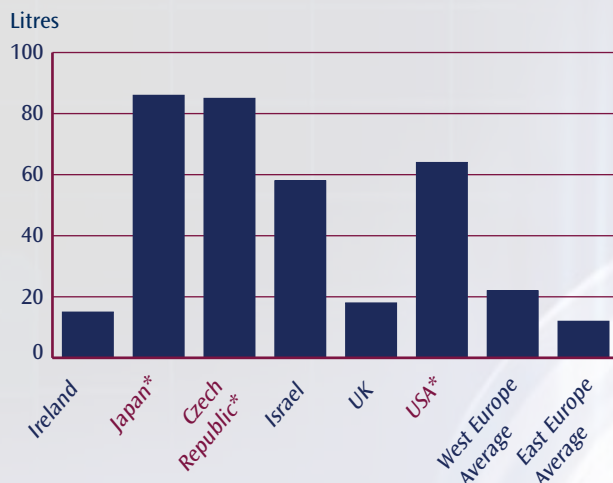
Source: Zenith International, globaldrinks.com

FRUIT JUICE/NECTARS CONSUMPTION PER PERSON BY COUNTRY, 2008



Source: Zenith International, globaldrinks.com

STILL DRINKS CONSUMPTION PER PERSON BY COUNTRY, 2008



Source: Zenith International, globaldrinks.com

*Top Three Countries

CHALLENGING ECONOMIC BACKGROUND FOR SOFT DRINKS INDUSTRY

By Mr. Jim Power, BA, M.Econ.Sc., Chief Economist, Friends First Group



The Irish economic background has deteriorated at an alarming pace over the past 18 months. What started off as a desirable but economically challenging reduction in an inordinate reliance on housing market activity has been seriously exacerbated by a dreadful global economic backdrop. The sub-prime crisis, which began as an issue for the US economy and the US financial system has quickly become a serious issue for the whole global economy. Today, the economies of the US, the UK, the Eurozone and Japan are all technically in recession, while the major emerging economies such as China are experiencing a sharp slowdown in activity. Global central bankers and governments have reacted aggressively to the unfolding crisis; interest rates are being taken down to historic lows, fiscal stimulus packages are being introduced, money supply expansion techniques are being implemented, and efforts are ongoing to re-capitalise the global banking system and get them lending again. All of these efforts will eventually work, but given the personal wealth destruction, the poor health of bank balance sheets and corporate balance sheets, it looks highly unlikely that the global economy will rebound suddenly and sharply as was the case during the dot.com recession.

The structural problems in the US economy in particular, look set to ensure that it will be a slow path out of recession. Later in 2009 it is hoped that the downward momentum in the global economy will be arrested and that in 2010 the global economy will gradually gain traction, but any return to more normal levels of activity is unlikely to be seen until 2011. The US economy holds the key and it will be the economy to lead the rest out of recession, not the other way around. Much hinges on the effectiveness of President Obama's stimulus packages. If Obama fails, then the consequences for the global economy could be serious for at least five years. Here's hoping it will work, and the odds are leaning in that direction.

The Irish economy is estimated to have contracted by up to 3% in 2008 and the evidence so far in 2009 suggests that activity could contract by at least 6%. Consumer spending has fallen sharply, manufacturing activity is weak, the public finances are deteriorating at a steady pace as all tax revenues fall, and the labour market is shedding jobs at a record pace. However, we all know this already, so what about prospects for recovery?

For a small open economy like Ireland, prospects for an international economic recovery are obviously crucial. The international economic cycle will eventually recover, so the challenge for Ireland is to ensure that once it does, we are in a position to exploit the recovery. In order to achieve this, competitiveness will be a key priority. The following developments are necessary to get the economy back on track:

- Cost base of economy needs to be reduced across the board, including wages, professional fees, and local authority and government charges. Private sector wages are already adjusting and will continue to adjust, but public sector wages must also adjust.
- Public spending has to be tackled – outputs rather than inputs should be the focus of public spending in order to ensure value for money is obtained.
- Lower cost of housing – this is already happening.
- Lower fuel & energy costs.
- Lower local authority charges including commercial rates.
- Heavy investment in the quality of labour force.
- IT capability needs to be considerably enhanced.
- We need to be careful with tax increases, as increasing taxes in the midst of a recession would just serve to exacerbate the economic downturn. The tax base will have to be broadened ultimately, with carbon taxes and property taxes inevitable at some point. However, the disincentive effects of higher taxes will need to be watched very carefully, to avoid the problems of the 1980s.

- We need a proper regulatory framework with teeth and a strong and very clear mandate for regulators.
- Need to focus on quality of growth rather than quantity – important to focus on long-term value rather than short-term reward – innovation, entrepreneurship & building sustainable high-value businesses essential.
- The banking situation needs to be sorted out.

For the Soft Drinks Industry, the environment is challenging. Sales of Food, Beverages & Tobacco fell by 2.4% in the year to December 2008. Looking ahead to the consumer dynamics over the remainder of 2009 and into 2010, it does appear that consumer confidence and spending will remain under pressure. The one big positive for consumers is that interest rates are falling sharply and are likely to fall by at least another 0.5% in the current interest rate

cycle. However, this positive will be offset by rising unemployment, downward pressure on wages, further declines in house prices, the collapse seen in the Irish equity market, sharply lower pension fund values, and the prospect of significantly higher taxes over the next couple of years as the Government strives to correct the public finances. The bottom line is that real disposable incomes could fall by at least 10% by the end of 2010.

This will create a challenging backdrop for the Soft Drinks Industry. On top of this weaker consumer market, the downward pressure on prices will intensify. In the year to February, the price of Mineral Waters, Soft Drinks & Juices increased by just 1.8%. This figure is likely to fall into negative territory over the coming year. In this environment, the industry will have to focus on strict cost control, quality customer service and effective brand management. The one good thing about a recession is that it forces every business to focus on what it does and how it does it.

IRISH ECONOMIC FORECAST

Average	2008e	2009f	2010f
GDP	-2.0%	-4.5%	-2.5%
GNP	-2.5%	-6.0%	-3.0%
Consumption	-2.0%	-6.5%	-2.5%
Investment	-20.0%	-25.0%	-5.0%
Government	3.0%	0.0%	1.0%
Exports	2.0%	1.0%	2.0%
Imports	-2.0%	-5.0%	-4.0%
Consumer Price Inflation	4.5%	-3.0%	-2.0%
Unemployment (average)	6.3%	11.5%	15.0%



Jim Power is a graduate of University College, Dublin. He is Chief Economist at Friends First Group, a wholly owned subsidiary of Eureko, one of Europe's largest insurance groups. He previously worked as Chief Economist at Bank of Ireland Group and Treasury Economist at AIB Group.

He teaches Finance and Economics on the Local Government MBA at Dublin City University and Economics on the Executive MBA at the Michael Smurfit Graduate School of Business in Ireland.

He is a regular speaker at economic and financial conferences both in Ireland and overseas. In 2001 he addressed a UK House of Lords Sub-Committee on European Affairs on Ireland's experience in EMU. He has presented numerous papers at the annual Dublin Economics Workshop. A frequent contributor to media, he appears regularly on radio and television both in Ireland and overseas. He writes a weekly column in the Irish Examiner and contributes to numerous other newspapers and magazines on an occasional basis.

He is a board member of Agri-aware, a food awareness body and in 2006 was a member of Failte Ireland's taskforce on a strategy for tourism. He is editor of the Friends First 'Quarterly Economic Outlook', which has become established as one of Ireland's leading economic commentaries on the Irish economy.

He undertakes numerous consultancy projects in areas such as housing, planning applications, macro-economic and micro-economic issues, and health. Clients include EBS Building Society, The Lagan Group, Genworth, The Construction Industry Federation (Ireland), The European Mortgage Federation, Enterprise Ireland, and Dublin Port Company.

PACKAGING & SUSTAINABILITY

Despite a turbulent economy, sustainability remains of paramount concern to manufacturers and consumers alike. In 2008 'doing good' continued to make good business sense.

As the economic downturn deepens, the first thought is to saving costs, this is true for both manufacturers and consumers alike. However, despite the credit crunch sustainability remains a concern for consumers and legislators and therefore a manufacturing priority.

Being sustainable does not necessarily mean increased production and sales costs, quite the contrary, savings can be passed on to consumers providing them with lower grocery bills and helping them to make more sustainable purchasing decisions.

As part of its corporate social responsibility endeavours, the Irish soft drinks industry is engaged in various sustainability initiatives. The soft drinks industry is reported to produce less than 1% of all carbon emissions, yet it has been at the forefront of efforts to reduce its impact on the environment and improve the future for generations of consumers to come. Soft drinks also only account for 5% of litter.

Taking action on saving energy, packaging and fuel has a direct impact on carbon footprint levels and helps us to reduce our environmental impact. The Irish soft drinks industry has been involved in initiatives such as:

- Waste recycling and increased usage of recycled and/or renewable materials.
- Reducing water usage and energy emissions during the production and distribution processes.
- Product rationalisation.
- Lightweight packaging developments.
- Supporting anti litter initiatives.
- Working with schools to promote environmental education as part of the EU wide environmental initiative, Green Schools.

Working with Repak, manufacturers have developed examples such as using PET (polyethylene terephthalate) for sleeves on bottles. PET is more recyclable, has less harmful dioxins and its production process has less of an effect on the environment. Changing bottle shapes and removing the need for secondary packaging has also led to reductions in waste.

DIET, NUTRITION & LIFESTYLE

By Dr. Mary McCreery, Consultant Clinical Nutritionist and Dietician, The Blackrock Clinic



The old adage, “everything in moderation and nothing in excess” has never been as applicable as in today’s modern society, where weight related conditions are on the increase. It’s all too easy to point the finger at certain foods and beverages, particularly those that are often unfairly held responsible as the main cause of social health issues.

The Irish Diet is currently too high in fat and too low in carbohydrate. No one single food or beverage can be singled out to blame but the scientific literature has consistently shown that individuals who consume a high carbohydrate diet including sugar are thinner than those who consume a high fat diet¹.

Consumed in moderation and as part of a balanced diet, soft drinks can play a role in a healthy lifestyle due to their hydration and functional properties. According to IUNA² carbonated drinks only account for 2% of the total daily energy intake of adults (2001) and 2.8% of children (2005). IUNA (2008) again has recently shown that all beverages, including tea and coffee make up only 5% of Irish teenagers daily calorie intake. This research also showed that total calorie intake has not changed in the last 20 years but physical activity has reduced significantly.

Contrary to popular myth, all soft drinks are fat free. The scientific literature has clearly demonstrated that sugar does not cause hyperactivity³, obesity⁴ or displace vitamins and minerals⁵. Obesity

is caused by consuming too many calories for one’s requirement and not taking enough exercise to match, in other words, calories in must equal calories out. Physical Activity has been proven to be key to a healthy lifestyle, however, the recent Slan Report⁶ highlights that nearly a third of Irish adults lead quite sedentary lifestyles with no or low rates of exercise taken and the recent State of the Nations Children Survey⁷ reports that only 55% of children are physically active for 4 days or more a week.

The industry has proven that it’s a responsible one and this can be seen in it’s commitment to GDAs⁸, it’s adherence to best practice positions and the UNESDA Commitments⁹. Choice is provided in the availability of low and no calorie variants, which has risen by nearly 150% in the last 20 years. The ingredients used in Soft Drinks are also very safe due to their rigorous testing at both a national and EU Level. Soft drinks, provide fun and enjoyment in a balanced lifestyle. They are refreshing, are valued for their convenience and functional benefits and as with everything else, responsible consumption is encouraged!

On qualifying in Human Nutrition and Dietetics in 1980, Mary first gained extensive experience in dietetics at St Vincent’s Hospital Dublin. Her own personal involvement in sports led her into the field of sports nutrition. She was appointed Consultant Nutritionist to the Irish Olympic team in 1982, working fulltime in this area for two years in preparation for the 1984 games in Los Angeles. She also worked during this period with the Irish Rugby Team, helping to pave the way to a Triple Crown win.

In 1985 she set up the clinical nutrition and dietetic service at the Blackrock Clinic Dublin where she is currently in private practice. Her enormous contribution to all matters relating to Nutrition in the media, radio and television is well recognized. Her special interests lie in the treatment of all eating disorders specifically Anorexia Nervosa, Bulimia, and Obesity.

Currently she is involved with the eating disorder programme in St. Patrick’s Hospital Dublin and in St. John of God’s Hospital, Stillorgan. She has worked extensively with addictions and their relationship with food through the Rutland Centre in Dublin.

¹ Bolton-Smith C. and Woodward M. (1994), Dietary Composition and Fat Sugar Ratios in relation to obesity. *Int. J. Obes Relat Metab Disord* 1994 18:820-828.

² IUNA – Irish Universities Nutrition Alliance is made up of three academic nutrition units from University College Cork, University of Ulster and Trinity College Dublin. By bringing together the specific expertise from these three nutrition units, IUNA has been able to involve itself in a broad area of nutrition and food research. Studies have been published in 2001, 2005 and 2008.

³ Benton D. (2007) Sucrose and Behavioural Problems. *Crit Rev Food Sci Nutr*.

⁴ Sugar intake, soft drink consumption and body weight among British children: further analysis of National diet and Nutrition Survey data with adjustment for under-reporting and physical activity. Gibson S & Neate D.

⁵ Gibson S. (2007) Dietary Sugars Intake and Micro Nutrient Adequacy: A Systematic Review of the Evidence. *Nutr Res Rev*: 20:121-131.

⁶ The Slan Report (2007) is a national survey of Lifestyle, Attitudes and Nutrition in Ireland and is produced by the Department of Health and Children.

⁷ The “State of the Nation’s Children – Ireland 2008” is a report produced by the Office of the Minister for Children and Youth Affairs in association with the CSO and NUI Galway.

⁸ The GDA system is a voluntary industry initiative to empower consumers to make informed choices. The nutritional composition of food products are very simply depicted on pack and in the case of soft drinks allows consumers quantify calories in.

⁹ The UNESDA Code of Practice and Commitments, launched in January 2006, support the EU Platform on Diet, Health and Physical Activity. UNESDA is the European industry association representing a substantial part of the total non-alcoholic beverages industry, with 28 national member associations. The primary role of UNESDA is to promote members’ interests at European and international level.

NO PROBLEM!

Soft drinks provide fun, enjoyment and refreshment in moderation and as part a balanced lifestyle. They also provide fluids that our bodies need; with some also providing contributions to the various vitamins that we use everyday.

- Numerous initiatives over recent years clearly demonstrate the industry's commitment to health. In September 2007 the sector launched a series of position papers on Marketing and Promotion of Soft Drinks to Children, the Sale of Soft Drinks in Schools, Additives, Sugar and Sweeteners, Dental Health and Obesity, Diet and Nutrition. These set out the high standards that BCI members have adopted for soft drinks and are reviewed regularly by experts.
- The Industry also has developed a non branded, non promotional educational website called **Liquids4life.ie**, highlighting the importance of liquids in a balanced diet along with physical exercise.
- The Soft Drinks Industry is one of the most innovative in developing functional products which enhance physical and mental performance. In a society where time is the most valuable commodity and nutrition is "on the go", convenient and refreshing beverages are an appealing alternative to the time poor Consumer.
- The industry supports the GDA system, a voluntary industry initiative to empower consumers to make informed choices, which depicts simply on pack, the nutritional composition of food products and in the case of soft drinks allows consumers quantify calories in. Consumed sensibly, soft drinks should not cause damage to anyone's teeth. This means that children, in particular, should avoid consuming soft drinks at bedtime, outside mealtimes or after their teeth have been cleaned. It is recommended to drink with a straw where possible and to brush teeth twice day with fluoride toothpaste.
- The Industry is aligned via The Beverage Council of Ireland to the UNESDA Code of Practice and Commitments**** which is part of the EU platform on Diet, Health and Physical Activity. These Commitments are rigorously and independently audited at EU level and are regularly tested nationally by the Beverage Council of Ireland.

What the Experts say:

- A multi-stakeholder approach is necessary to mitigate health and social issues related to food and drink. According to **Professor Patrick Wall, Co-Director of the National Nutrition Surveillance Centre at University College Dublin and Chairman of the Board of The European Food Safety Authority:**

"Obesity is a complex and multi-factorial issue. The emerging consensus among academics and health professionals is that responsibility is shared between Government, regulators, health professionals, schools, work places, parents, carers, the food and beverage sectors and individuals. The problem is two fold. As a nation, we are doing too little physical activity, but also eating more than our energy requirements. Both of these issues need to be addressed."

****The UNESDA Code of Practice and Commitments, launched in January 2006, support the EU Platform on Diet, Health and Physical Activity. UNESDA is the European industry association representing a substantial part of the total non-alcoholic beverages industry, with 28 national member associations. The primary role of UNESDA is to promote members' interests at European and international level.

PROVEN FACTS

The Industry is a responsible one, investing heavily in product innovation and research providing choice, variety and also consumer education.

FACT Industry has responded to and continues to address emerging trends resulting in a rise in consumption of no/low calories variants from 28% in 1988 to over half of all soft drinks consumed at 57% and also reduced portion sizes.

FACT Soft drinks have a role to play in a balanced diet, when consumed responsibly as part of a balanced lifestyle. In fact IUNA* surveys have shown that carbonated soft drinks only account for 2% of adults daily calorie intake (2001), 2.8 % of childrens' daily calorie intake (2005) and less than 5% of teens daily calorie intake (2008).

FACT Again, according to IUNA, calorie intake has not changed in the last 20 years however calorie expenditure via physical exercise has reduced significantly. IUNA also states that children with obese parents are most likely to suffer the condition than those children with healthy weight parents. The issue is therefore not only exclusive to children and can be attributed to lifestyle choice.

FACT Physical activity is very important in achieving a healthy lifestyle however according to recent studies, nearly a third of all adults lead sedentary lifestyles** and only 55% of children are physically active 4 days or more a week***.

FACT Carbonated soft drinks are not fattening as there is no fat present in these products and sugar does not necessarily cause hyperactivity¹, obesity² or displace vitamins and minerals³. Many scientific experts now understand that obesity is caused by consuming too much food and drink and not taking adequate exercise, in simple terms, calories in and calories out must balance.

FACT The industry has effectively responded to consumer requirements by providing choice and variety in no/low cal varieties and "healthy" alternatives to carbonated soft drinks. Bottled Water provides a safe and convenient way to re-hydrate "on the go" and provides our bodies with controlled and safe mineral intakes. Fruit juice, in addition to its popularity, provides a combination of anti-oxidants, fibre and vitamins which are important to everyone's health. A small glass of 70 mls of fruit juice equates with one portion of the Department of Health and Children's recommended "5-a-day" (fruit and vegetables).

FACT No one single food or beverage can be singled out as the cause of any weight related illnesses and conditions and scientific literature has consistently shown that individuals who consume a high carbohydrate diet are thinner than those who consume a high fat diet⁴.

* IUNA – Irish Universities Nutrition Alliance is made up of three academic nutrition units from University College Cork, University of Ulster and Trinity College Dublin. By bringing together the specific expertise from these three nutrition units, IUNA has been able to involve itself in a broad area of nutrition and food research. Studies have been published in 2001, 2005 and 2008.

*** The Slan Report (2007) is a national survey of Lifestyle, Attitudes and Nutrition in Ireland and is produced by the Department of Health and Children.

*** The "State of the Nation's Children" is a report produced by the Office of the Minister for Children and Youth Affairs in association with the CSO and NUI Galway.

¹ Benton D (2007) Sucrose and Behavioural Problems. Crit Rev Food Sci Nutr.

² Sugar intake, soft drink consumption and body weight among British children: further analysis of National diet and Nutrition Survey data with adjustment for under-reporting and physical activity. Gibson S & Neate D.

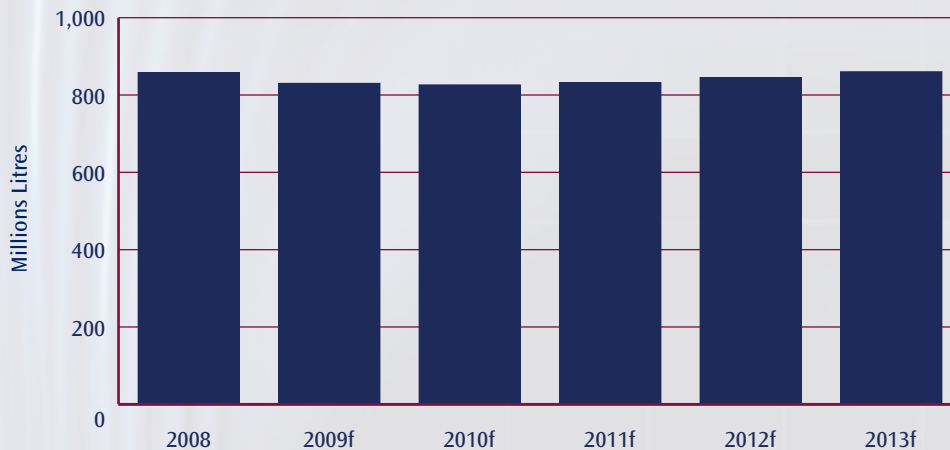
³ Gibson S (2007) Dietary Sugars Intake and Micro Nutrient Adequacy: A Systematic Review of the Evidence. Nutr Res Rev: 20:121-131.

⁴ Bolton-Smith C and Woodward M (1994), Dietary Composition and Fat Sugar Ratios in relation to obesity. Int. J Obes Relat Matab Disord 1994 18:820-828.

OUTLOOK & CONCLUSIONS

With the green shoots of economic recovery not expected until 2011 at least, the forecast for the Irish soft drinks market is a mixed one, with volumes projected to reach 860 million litres in 2013.

IRELAND SOFT DRINKS FORECAST, 2008-2013



Source: Zenith International

CHALLENGES AND OPPORTUNITIES FACING THE IRISH SOFT DRINKS MARKET GOING FORWARDS

Cooling Consumer Confidence

Soft drinks, with their relatively low price points should be one of life's little luxuries that can withstand short term consumer pessimism. With consumer confidence at a low ebb, engaging with and maintaining consumer interest is key to the future success of the category.

Brand New Heavies

Trusted brands are at risk of a devaluation of their brand equity and a commoditisation of the categories in which they operate. Faced with setbacks to consumer confidence, multiple retailers and hard discounters may demand further price cuts that threaten the businesses of branded and private label operators alike. In these instances, only the leanest and strongest shall survive.

Pubs in Low Spirits

As footfall declines further, the licensed trade is proving a challenging environment for soft drinks operators, particularly if consumers really do decide that 'staying in is the new going out'. Yet despite a mood of gloom, the growing importance of soft drinks as an accompaniment to food does mean that there are opportunities for invigorating alternatives to alcohol and hot drinks.

Value Innovation

Delivering value through innovation and engaging with a flagging consumer will stand the soft drinks industry in good stead

for the economic recovery. Recessions have, in the past, spawned countless innovations with new product development generating short term sales and media attention, together reinforcing revered customer relationships.

Respect is a Two Way Street

Honesty and integrity remain paramount in uncertain economic times as consumers become ever more thrifty with their spend. Brand and product communications need to be simple and unambiguous if consumers are to part with their hard earned cash.

Feel Good Factor

Economic pressures do not have to mean the end of corporate social responsibility; in fact it will be one way to maintain differentiation and a competitive edge. Saving both money and the environment can go hand in hand, cutting costs by being more environmentally efficient.

Naughty But Nice

Faced with the everyday doom and gloom of these recessionary times, consumers may tire of constantly watching their spend and look to certain soft drinks as a little bit of indulgence. Soft drinks are well positioned to benefit from this. Injecting a little fun and refreshment can go a long way and we should never ignore the treat factor.

DEFINITIONS

SECTORS & SEGMENTS

FRBs

Functional and Refreshment Beverages.

Bottled Water

Still, sparkling water and lightly carbonated water; natural mineral water, spring water, bottled drinking water; packaged water in sizes of 10 litres and below; water for coolers in sizes of 10.1 litres and above.

Carbonates

Ready to drink including draught dispense; home dispense; regular including sparkling juice; low calorie and zero calorie; cola; lemon including lemonade; lemon-lime; mixers including tonic and bitter drinks; orange; shandy; others including other carbonated fruit flavours, energy drinks, sparkling flavoured water, health drinks and herbal drinks.

Dilutables

Squashes, cordials, powders and other concentrates for dilution to taste by consumer, normally adding 4 parts water to 1 part product; high juice (minimum 40% fruit content as sold); regular including squashes and cordials (minimum 25%); low sugar including no added sugar and sugar free; (dilutables are expressed as ready to drink for ease of comparison where measuring overall soft drinks market figures/shares).

Fruit Juice

100% fruit content equivalent, sometimes referred to as pure juice or 100% juice. Chilled juice comprises four main types: smoothies (based predominately on whole crushed fruit, chilled and with a short shelf life); freshly squeezed juice (not pasteurised, chilled with a shelf life of a few days); not from concentrate juice (squeezed then pasteurised, chilled with a shelf life of a few weeks); other chilled from concentrate (from concentrate or part squeezed and part from concentrate). Ambient or long life juice is mainly from concentrate and heat treated; shelf life of up to 18 months.

Still & Juice Drinks

Nectars (25-99% fruit content); juice drinks (5-25% fruit content); other still drinks (0-5%) including iced tea, sports drinks, still flavoured water and non fruit drinks.

Flavoured Water

Sweetened with sugar or intense sweetener; sparking and still mineral, spring or bottled drinking water with added flavourings and flavoured functional waters that contain added botanicals, vitamins, minerals, oxygen or other functional ingredients.

Sports Drinks

Those drinks that enhance physical performance before, during or after physical/sporting activity. Sports drinks replace fluids and electrolytes/minerals lost by sweating and supply a boost of carbohydrate: isotonic (fluid, electrolytes and 6 to 8% carbohydrate), hypotonic (fluids, electrolytes and a low level of carbohydrate) and hypertonic (high level of carbohydrate).

Energy Drinks

Traditional glucose based energy drinks; functional or stimulation energy drinks which claim a particular energy boost from caffeine, guarana, taurine and ginseng or other herbs or some combination of these ingredients.

Mixers & Splits

Bottled carbonates used predominantly in the Horeca channel; mixers are defined as 170ml bottles, splits are packed in 170-220ml bottles.

Industry Terms

LOW CALORIE & NO ADDED SUGAR: utilising an intense sweetener with no sugar added.

REGULAR: added sugar drinks.

MID CALORIE: a blend of sugar and intense sweetener.

HORECA: hotels, restaurants and catering outlets.

ON PREMISE: includes horeca, pubs, clubs, cafés and other licensed/unlicensed outlets for food & drink consumption.

OFF PREMISE: excludes on premise outlets and covers retail/ take home consumption and impulse/convenience outlets for consumption on the go.

REPORT

METHODOLOGY/ BACKGROUND

Specialist food and drink consultancy, Zenith International, has been commissioned to produce this 2009 Beverage Council of Ireland Annual Market Review. All data and insights contained in this report were produced using Zenith's internal market databases and primary research.

In compiling its research, Zenith relies on the goodwill and cooperation of companies active in the marketplace. During Zenith's research into the Irish soft drinks industry, larger branded operators, retailer own label specialists, contract packers and a significant number of smaller independent companies are contacted.

Based on individual producer volumes for the year – market, sector and segment totals are calculated from the 'bottom up'. At a sector and segment level, adjustments are then made for any double counting of contract and licensed bottling. Estimates for unauthorised soft drink imports sold through the 'grey market' are also included. This is more pronounced in categories such as energy drinks rather than dilute to taste drinks, for example.

A complete picture of the Irish soft drinks market across all sales channels is produced, through Zenith's extensive study of the largest soft drinks companies, alongside small to medium sized operators and own label specialists. The market figures presented therefore encompass all aspects of the market including: take home, impulse and on premise; water cooler volumes for the office; home dispense carbonated soft drinks; and pump dispense carbonates in the licensed trade.

To this end, a considerable amount of time and effort is spent contacting industry players and striving to analyse the complexities of the Irish soft drinks arena. Zenith would like to express its sincere gratitude to the BCI and the entire Irish soft drinks industry for its continued help and support during the research process.

ABOUT THE BEVERAGE COUNCIL OF IRELAND

The Beverage Council of Ireland (BCI) representing the interests of the Bottled Water, Fruit Juice and Soft Drinks producers and distributors of non alcoholic beverages is a not for profit member based organisation and has been established since 1928. It was formerly known as The Soft Drinks and Beer Bottlers Association (SD&BBA).

The BCI operates under the following sub divisions:

- Bottled Water – Bottled Water Association of Ireland (BWA).
- Fruit Juice – Fruit Juice Producers of Ireland (FJPI).
- Soft Drinks – Soft Drinks Association (SDA).

And also represents the wholesale distributors (LTDs, Licensed Trade Distributors) of packaged beverages to the licensed retail sectors.

Personal and Web based services to members include:

- Industry Conduit facilitating fora to meet with industry peers in a non competitive environment.
- Agreement and Maintenance of industry positions.
- Access to and input into Industry, national and EU Regulatory processes.
- Access to prominent specialist consultants.
- Voice for and within Industry.
- Valuable Technical, Commercial and Legal information resource.
- Practical Information and Support Schemes.
- Access to European Quality Control System and Accreditation (EQCS).
- Information Events and Fora.
- Communications and Publications.

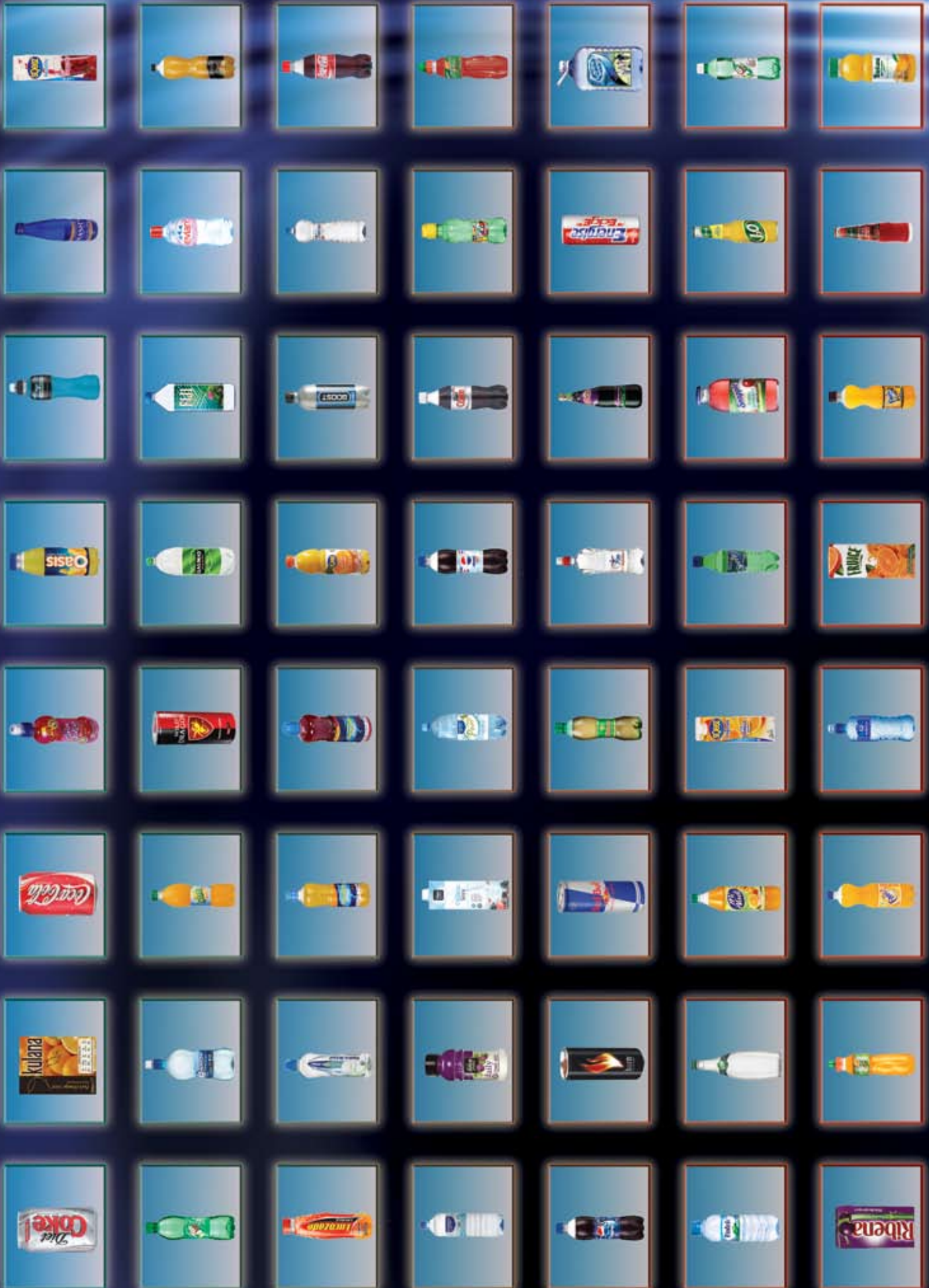
General Enquiries:

Ph: (01) 460 0811
Email: info@beveragecouncilofireland.ie
Web: www.beveragecouncilofireland.ie
www.liquids4life.ie



The Beverage Council of Ireland

THE BEVERAGE COUNCIL OF IRELAND – MEMBERS PRODUCTS





The Beverage Council of Ireland

Unit 19A
Naas Rd. Business Park
Muirfield Drive, Naas Road, Dublin 12
Ph: +353 1 460 0811 Fax: +353 1 460 0814
Email: info@beveragecouncilofireland.ie
Web: www.beveragecouncilofireland.ie