RETAILER BRIEFING 2001
UK ENERGY AND SPORTS DRINKS

- UK energy and sports drinks sales now exceed £700 million a year.
- Functional energy drinks almost doubled in 2000 after trebling in 1999.
- Red Bull has become Britain's third biggest soft drinks brand by value.
- Independent university research advises that lives could be saved on Britain's roads by drivers drinking functional energy drinks to stay alert.
- Sports drinks are up 50% since 1998.
- Lucozade Energy sales averaged £734 per corner shop last year.
- Red Devil was the fastest growth emerging brand in 2000.
- £20 million was spent on advertising energy and sports drinks in 2000, 18% of the total for all soft drinks.
- Over 20 new energy and sports drinks brands were launched last year, including entries by four of the top five UK soft drinks companies.
- 17% of retail outlets still do not stock any energy or sports drinks.
- 59% of pubs and clubs do not yet list Red Bull.

Space should not be the final frontier, just the beginning.

DOWN TO EARTH FACTS

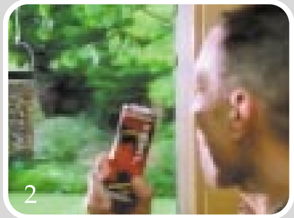
MARKET TODAY

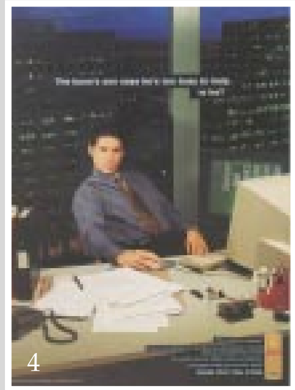
You may not have believed us when we said it a year ago, but it really did happen. Yes, UK sales of energy and sports drinks reached £700 million in 2000.

That is a rise of more than £200 million, in excess of 40%. Over 20 new brands were launched last year, including entries by four of the top five UK soft drinks companies. Prices have become more competitive, but premiums remain high.

This is not a passing fad. These drinks are the thin end of a new wedge that is reshaping consumer behaviour. People want products that not only look good and taste good, but also do good. Energy and sports drinks sell because they work as well as play.

There is now no excuse for any grocer or newsagent, pub or other venue not to stock them. Indeed, all the evidence points to more space, more choice and more prominence for higher sales, higher margins and higher profits.

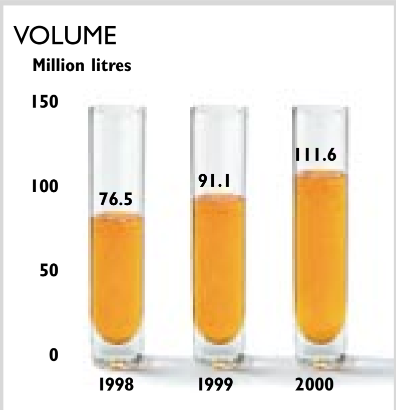


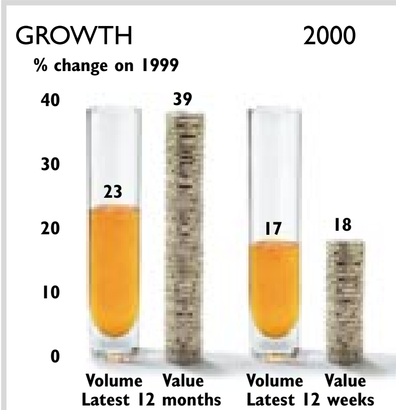


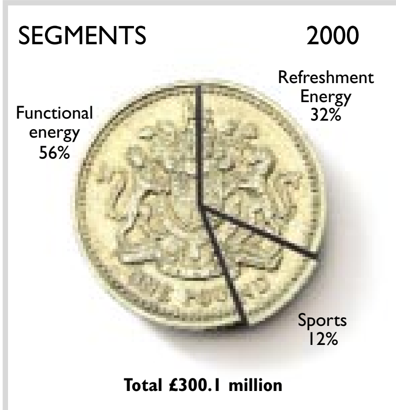
1. *Red Bull television*
2. *Red Devil television*
3. *V television*
4. *Lucozade Solstis press and posters*

ENERGY AND SPORTS DRINKS – RETAIL AND ON PREMISE

All outlets in Great Britain, 1998-2000







Source: ACNielsen

The most detailed research on this market is provided by ACNielsen, which audits most of the leading retail outlets and covers an increasing sample of on premise consumption. For the first time ever, these figures have been combined to give as complete and up to date a picture as possible.

The results show energy and sports drinks volume climbing by a further 23% in 2000 to give an even larger 39% uplift in value.

Functional energy drinks led by Red Bull are the fastest growing segment, contributing over half of the value from under one third of the volume. Refreshment energy drinks, dominated by Lucozade Energy, account for more than 30% of value and sports drinks make up the final 12%.

Red Bull and Lucozade variants are by far the largest brands, but a growing number of newcomers are starting to make their presence felt. ACNielsen tracks seven other brands with sales over £1 million in 2000, led by Red Devil. Two of the seven, V and Virgin dt, did not even arrive until the spring.

Widening the view back out to the full UK picture, Zenith estimates that Red Bull's total sales in 2000 were close to £430 million, while the overall figure for Lucozade was around £210 million. With all other ready to drink brands adding up to some £70 million, including £30 million from Red Devil, this brings the entire market to slightly above £700 million.

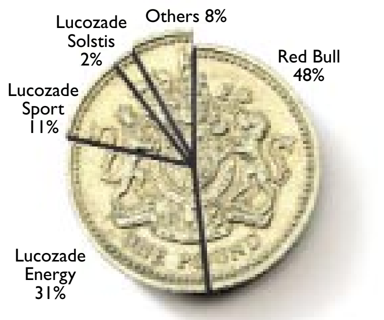
Red Devil press and posters

Lipovitan press and posters

TOP 10 ENERGY AND SPORTS DRINKS BRANDS – RETAIL AND ON PREMISE

All outlets in Great Britain, 2000

Rank	Brand	£ million	% growth
1	Red Bull	145.1	+86
2	Lucozade Energy	93.3	+5
3	Lucozade Sport	34.3	+23
4	Lucozade Solstis	5.1	+86
5	Red Devil	3.8	+185
6	Lucozade Low Calorie*	2.8	-54
7=	Purdey's	2.1	-8
	Oasis Revitaliser	2.1	+6
9	Indigo	1.5	-19
10	V	1.3	na



Share of 2000 value

* No longer being produced

Source: ACNielsen

MARKET SEGMENTS

REFRESHMENT ENERGY DRINKS are the longest established and largest volume segment, built around the everyday glucose based appeal of Lucozade, which was originally launched in 1927. They are close neighbours of other fizzy soft drinks and offer added energy through their natural sugar content.

Both volume and value, however, have been more or less static in recent years, preserved almost entirely by successive initiatives from Lucozade including new variants, new packaging and larger sizes. Red Card and Pulsar are also present, but have made limited headway.

SPORTS DRINKS entered the arena with the launch of Lucozade Sport in 1990. Most are described as isotonic and are designed to enhance physical performance by rapid absorption of their fluid, minerals and sugars. This means they are either still or only very lightly carbonated and their taste is aimed at players rather than spectators, though they do also have a leisure following.

In the past two years, sports drinks have enjoyed a major resurgence, with ACNielsen showing volume and value growth of some 50%. This is a result of strong promotion by Lucozade Sport, the emergence of new brands and Olympic success in Sydney. Gatorade and Isostar are other notable international brands. Umbro is currently reconsidering its plans after a good start in 2000, while Coca-Cola's Powerade is expected to provide extra impetus in 2001.

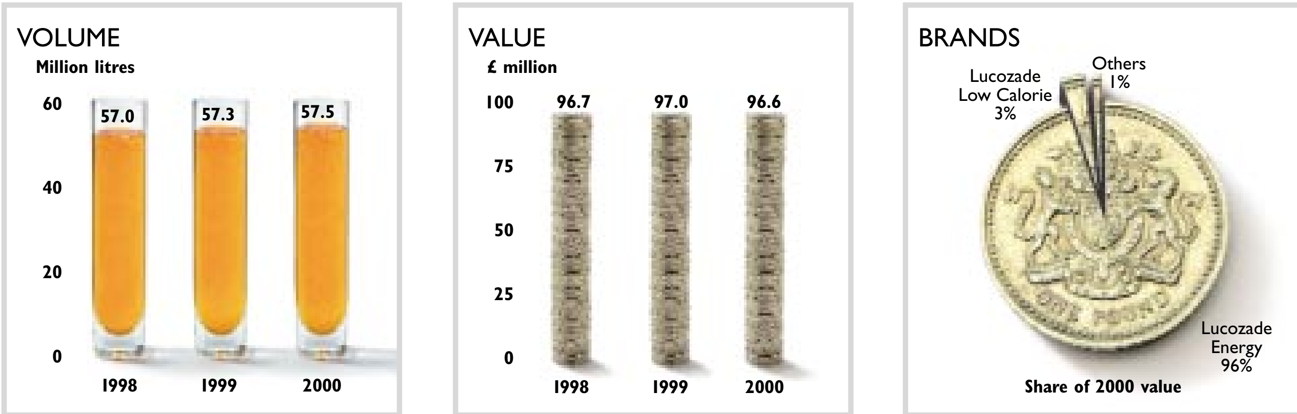
FUNCTIONAL ENERGY DRINKS date back to the national launch of Red Bull in 1995 and have become the most dynamic as well as the highest value segment. All contain a number of active ingredients from amino acids like taurine to herbs such as guarana. Caffeine often plays an important part in delivering an energy boost for up to several hours. They are more effective if consumed when needed and are increasingly accepted as providing a stimulus to body and mind for clubbers and drivers, students and executives.

After a hesitant start, growth has been truly phenomenal since 1998. According to ACNielsen, volume trebled in 1999 and doubled again in 2000. Value is up by even more.

Red Bull is the leading brand throughout Europe and in many other countries, but numerous others are intent on their own piece of this exciting action. Lucozade Solstis is now being challenged for

REFRESHMENT ENERGY DRINKS – RETAIL AND ON PREMISE

All outlets in Great Britain, 1998-2000

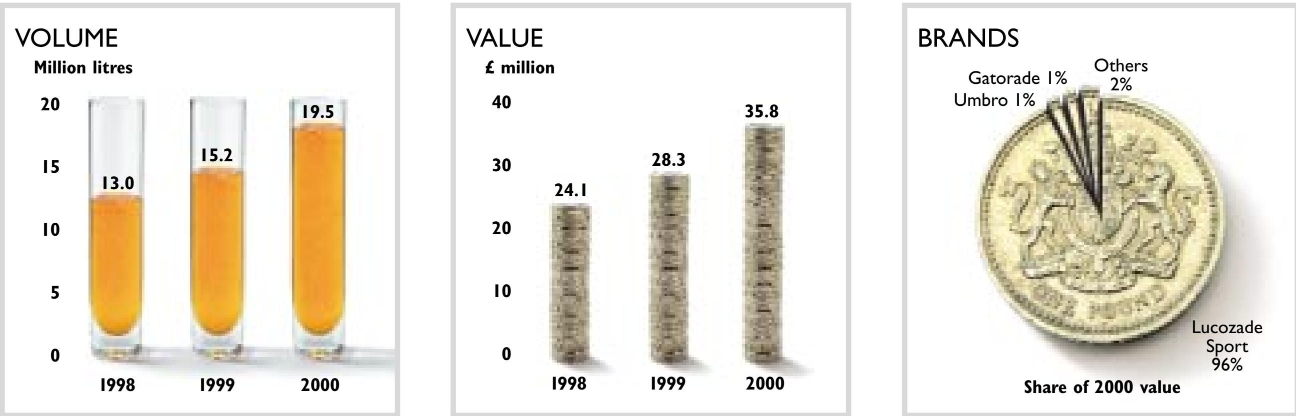


Source: ACNielsen

second place by Red Devil. Oasis Revitaliser, Purdey's and Indigo have their foot in the door. V, Virgin dt and Lipovitan have their toe in the water. Supermarket own labels have also started to make an entry. Some are investing strongly. Others are just climbing on the bandwagon and falling off almost as quickly.

SPORTS DRINKS – RETAIL AND ON PREMISE

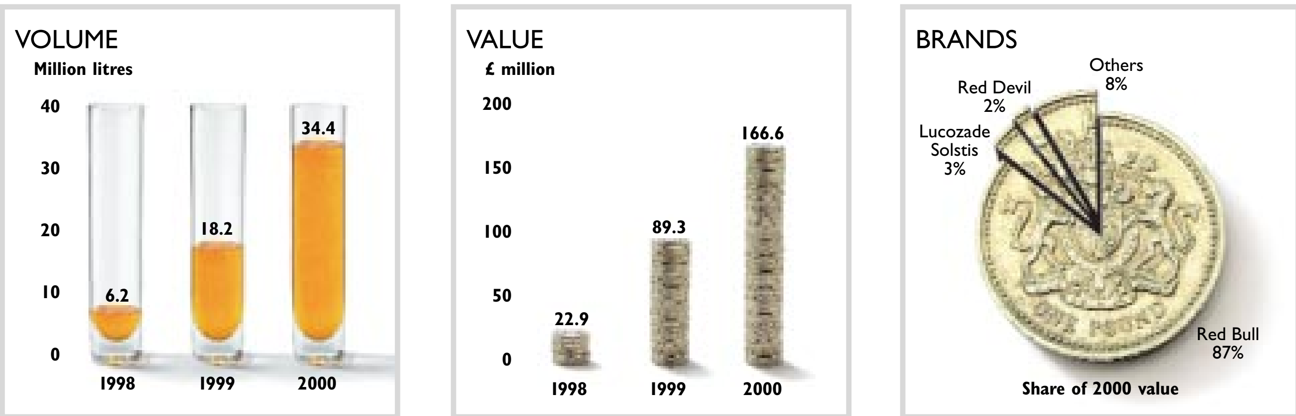
All outlets in Great Britain, 1998-2000



Source: ACNielsen

FUNCTIONAL ENERGY DRINKS – RETAIL AND ON PREMISE

All outlets in Great Britain, 1998-2000



Source: ACNielsen

MARKET IN CONTEXT

Even the boldest volume figures for energy and sports drinks would not put them above 2% of total UK soft drinks consumption. So, why the fuss ?

The answer lies in their value. At £700 million, consumer spending is already higher than on fruit drinks or bottled water. By the end of 2001, they may well represent £1 out of every £10 spent on all soft drinks.

Three key comparisons show why they merit much more attention.

BIG BRANDS

Among retail outlets audited by ACNielsen, Lucozade reclaimed its place as one of Britain's top five soft drinks brands in 2000. Red Bull was not only the fastest growing with a leap of 94%, but is now also challenging strongly for the top ten.

RETAIL TOP 25 SOFT DRINKS BRANDS

Audited retail outlets in Great Britain, 2000

Rank	Brand	Sales in £ million	% change over 1999
1	Coca-Cola	664.2	+7
2	Pepsi	177.7	–3
3	Robinsons	176.5	+5
4	Ribena	161.0	-5
5	**Lucozade**	**128.4**	**+8**
6	Sunny Delight	103.4	-36
7	Tropicana	90.4	+17
8	Schweppes	82.3	+4
9	Tango	79.2	-12
10	Irn-Bru	76.3	+5
11	Fanta	61.8	+20
12	**Red Bull**	**59.9**	**+94**
13	Lilt	57.3	+3
14	Del Monte	56.4	=
15	Ocean Spray	55.1	+6
16	Dr Pepper	54.9	+20
17	Sprite	42.9	+18
18	Evian	39.9	+14
19	Volvic	34.5	+47
20	7-Up	32.1	-10
21	Virgin	25.5	-12
22	Vimto	24.0	-1
23	Capri-Sun	23.5	+23
24=	Perfectly Clear	20.4	-3
	Oasis	20.4	-9

Source: ACNielsen

ENERGY AND SPORTS DRINKS ADVERTISING

Great Britain, 1996-2000

£ million	1996	1997	1998	1999	2000 to Nov
Refreshment energy					
Lucozade	3.4	5.5	5.5	3.1	1.4
Red Card	0.1	0.5	neg	–	–
	3.5	6.0	5.5	3.1	1.4
Sports					
Lucozade Sport	2.6	1.2	3.8	3.4	2.8
Others	neg	neg	neg	neg	0.1
	2.6	1.2	3.8	3.4	2.9
Functional energy					
Red Bull	0.5	0.8	2.5	4.2	8.0
V	–	–	–	–	2.0
Lucozade Solstis	–	–	–	0.8	1.8
Lipovitan	–	1.0	0.5	0.7	1.2
Red Devil	–	–	–	0.3	1.0
Red Alert	–	–	–	–	0.6
Others	neg	0.3	0.2	0.2	0.4
	0.5	2.1	3.2	6.2	15.0
Energy and sports	6.6	9.3	12.5	12.7	19.3
All soft drinks	86.4	95.0	120.2	116.6	109.0
Energy % share	7.6	9.8	10.4	10.9	17.7

Source: ACNielsen MMS

Zenith estimates that total UK sales of Red Bull were close to £430 million, making it Britain's third ranked soft drink after Coke and Pepsi.

BIG BUDGETS

Moreover, energy and sports drinks owners are showing the courage of their convictions by investing heavily in marketing. Recorded advertising reached £20 million in 2000. That is 18% of the soft drinks total. Five brands spent more than £1 million.

BIG RETURNS

Finally, their return on shelf space is far more productive across all types of outlet than most of their better known rivals.

In petrol station forecourts, four of the top ten best selling carbonates single packs were energy lines.

In supermarkets and off licences, Red Bull cans again had the highest cash rate of sale among all single serve carbonated soft drinks including Coca-Cola's most popular pack.

In all retail sectors, Lucozade variants feature at least three times among the top 25 single packs.

Red Devil outperformed Pepsi's best selling pack in off licences. Complete newcomer Red Alert outsold single cans of Tango orange in supermarkets.

So much from so little space.

ENERGY AND SPORTS DRINKS RATES OF SALE

Carbonates single pack sales in Great Britain, 4 week average per outlet, 2000

	Multiple grocers		CTNs		Off licence		Forecourts	
	Rank	£	Rank	£	Rank	£	Rank	£
Red Bull 25cl can	1	226	4	43	1	68	2	100
Coca-Cola 50cl PET	2	172	1	68	3	35	1	121
Coca-Cola 33cl can	4	115	2	57	2	46	3	81
Lucozade Energy Original 34.5cl PET	5	81	8	28	11	17	6	44
Lucozade Energy Orange 34.5cl PET	12	59	13	21	4	27	10	34
Pepsi 33cl can	21	34	16	19	13	16	25	18
Pepsi 50cl PET	23	31	21	16	28	10	15	26
Lucozade Energy Original 50cl PET	24	30	20	16	–	–	5	49
Red Devil 25cl can	25	30	58	8	10	17	21	21
Lucozade Solstis 25cl can	65	19	35	12	12	16	12	30
Lucozade Sport Orange 34.5cl PET	67	19	23	15	–	–	26	18
Lucozade Energy Original 33cl can	–	–	11	22	–	–	20	22

Source: ACNielsen