Packaged Water in the EU - Key Trends

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• Global and European Trends
• Market Roundup
• Strategic Challenges for Developed Water Markets
Global & EU Packaged Water Market Trends
Global Packaged Water continues to grow

With Growth picking up over past 2 years

Global Packaged Water Volume 2002-2012, ML
In the EU*, this growth has plateaued

* EU as defined by EFBW as 24 markets in scope
However, Water has outperformed the rest of Soft

EU Packaged Water Growth vs. Other Soft 2002-2012, ML

Growth Rate Comparison EU Markets

* EU as defined by EFBW as 24 markets in scope
However Water has out-performed the rest of Soft

EU Packaged Water Growth vs. Other Soft 2002-2012, ML

Growth Rate Comparison EU Markets

* EU as defined by EFBW as 24 markets in scope
Packaged Water also has a much higher share of soft drink consumption in the EU than the rest of the world.

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<th>Region</th>
<th>2010</th>
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Packaged Water Litres per Capita

Decreasing Regional Volume
In the EU Markets Still water has a 58% share.
With sparkling suffering poor performance relative to still

Packaged Water Segmentation EU, ML

- Low: 1.4% CAGR 07-12, 1.1% CAGR 09-12, 0.1% YOY 11-12
- Regular: -1.3% CAGR 07-12, -1.3% CAGR 09-12, -0.5% YOY 11-12
- Still: 0.5% CAGR 07-12, 0.9% CAGR 09-12, 1.1% YOY 11-12
The top 5 markets in the EU make up 78% of Packaged Water Volume.
They have a mixed performance compared to total EFBW markets, with Poland showing the strongest growth.
Poland, Romania and Hungary have shown the highest growth

Romania and Poland have relatively low litres per capita, suggesting potential for further positive growth

* Bubble size = volume Packaged Water 2012
And with the addition of Bulgaria are expected to continue to out-pace the growth of the rest of soft drinks.

Forecast growth of Packaged Water and other categories in EU Markets 2013-2018

* Bubble size = volume forecast Packaged Water 2018
Economic instability in some Southern European markets…

Central Athens

Unemployment rate

Y on Y % change in GDP

Y on Y % change in NARTD Consumption

Greece
Spain
Greece YOY
Spain YOY

2008 2009 2010 2011
0 500 1,000 1,500 2,000 2,500
-10% -8% -6% -4% -2% 0% 2% 4% 6% 8%

2009 2010 2011 2012 2013
-8 0 8 16 24
....is driving producers to look at value options from developing markets

Unilever see “return to poverty” in Europe:
“If a consumer in Spain only spends €17 when they go shopping, then I’m not going to be able to sell them washing powder for half of their budget”

In Spain, the company sells Surf detergent in packages for as few as five washes

“In Indonesia, we sell individual packs of shampoo for 2 or 3 cents and still make decent money. We know how to do that, but in Europe we have forgotten in the years before the crisis”

Jan Zijderveld, Head of Unilever’s European business
Across EU markets price per litre packaged water is declining relative to other soft categories.
Eastern EU markets have shown the best price per litre growth, with the UK and Germany declining.
Market Roundup
Austria

Stable Consumption with sharp increase in on-premise prices
Trend to lower carbonation and still water
Availability of free tap water in restaurants could impact future growth

Growth 2011/12
+ 1.9%

Per Capita 85.3
Belgium

Flat growth in a mature market with relatively little innovation
Local government promoting benefits of tap water
Sparkling water growing at expense of Still

Growth 2011/12
- 0.2%

Per Capita 123.5
Bulgaria

Leading brand volumes boosted by marketing investment
Competitor advertising and government policy put pressure on mineral water
Discount brands also expected to continue to grow volume and share

Growth 2011/12
+ 2.9%

Per Capita
66.3
Czech Republic

Water market continues to be impacted by low consumer confidence
Private Label table waters suffer the sharpest setback as consumers switch to tap water
Consumer switch to lower carbonation products

Growth 2011/12
- 9.4%

Per Capita
50.1
Denmark

Poor weather and tax on flavoured water hits volumes
Self-Carbonation machines could hurt sparkling segment which also has a poor image
Demise of convenience channel will impact still water growth

Growth 2011/12
- 4.4%

Per Capita
22.2
Estonia

Water sales declined hit by inflation and poor weather
Decline expected to be halted in 2013, but price sensitivity and improving image of tap water will keep any increase low
Sparkling volumes growing as substitution by tap water not an issue

Growth 2011/12
- 3.5%

Per Capita
30.8
Poor summer weather impacted sales, with the decline being magnified by exceptionally good performance in the previous year. Packaged Water viewed as a luxury and therefore very dependent on the economy. Spring water accounts for nearly 90% of the market.
Low pricing helped boost water sales
Category also benefited from concerns over health risks of sweetened drinks and efforts by water producers to negate the environmental impact of packaged water
Still water accounts for 80% of the market and continues to grow fastest
Poor summer weather saw virtually no growth in a very mature market. Mineral water accounts for 98% of the market. Trend away from medicinal water (Heilwasser) and from higher to lower carbonation.
Greece

Market hit by rising unemployment, salary and pension cuts, and tax increases
Category expected to return to low growth when the economy recovers
Horeca particularly hit as consumers spend more time at home

Growth 2011/12
- 9.0%

Per Capita
98.2
Hungary

A long hot summer boosted consumption which is already high.
The category benefits from relatively low prices.
Consumers don’t tend to differentiate between Mineral and Spring water.

Growth 2011/12
+ 4.7%

Per Capita
117.8
Italy

Growth boosted by hot summer, but limited by poor Autumn weather
Private Label volumes grow whilst on-premise consumption has declined
Category faces competition from initiatives to promote tap water

Growth 2011/12
+ 1.2%

Per Capita
180.5
Ireland

The water category recovered in 2012 despite poor weather and the economy, partially driven by strong promotional activity. The carbonated segment outperformed the overall market. Spring water is most popular source for both the still and sparkling segments.
Category benefits from perception as a healthy alternative to other soft drinks
The launch of publicly funded “Riga Water” will impact the category performance
Mineral water growing at expense of Spring and Table water
Main drivers behind the fall in consumption were poor summer weather, a declining population, and a large increase in tap water consumption. Consumers switch to lower carbonation products which are perceived as healthier. Spring water volumes are very low and almost entirely comprised of imported brands.
Netherlands

Economic situation has seen consumers increasingly turn to tap water, especially in On-Premise. Carbonated water volumes expected to remain stable whilst still water declines.

The market is almost entirely comprised of mineral water although consumers don’t tend to differentiate, basing purchase decisions mainly on price.

Growth 2011/12
- 0.8%

Per Capita 21.2
Good summer reversed decline of 2011 (which was a poor summer in Poland)
Still and low carbonation grow at expense of carbonated brands
Growing awareness of positive impact of water on health
Reduced purchasing power combined with a big increase in VAT led to a fall in consumption. Multipacks have proliferated to offer better value. Sparkling water expected to remain a niche. Spring water is taking some share from mineral water.
Good summer weather and packaging upsizing led to a solid performance for the category. The share of sparkling water is being eroded by still water. The abundance of mineral water sources means that this category continues to dominate.
Packaged Water was one of the few categories to experience growth driven by a hot summer, heath concerns and affordability. Growth driven by Private Labels which grew by 13% while branded products declined by 1%. Traditional sparkling water is slowly giving way to still water.
Water volumes grew despite the unfavourable economic climate helped by the hot summer. Both still and sparkling grew, with still water experiencing slightly higher growth. Low priced imports are expected to drive consumption, especially in discounters.
Spain

The category contracted by almost 1% due to an increase in VAT and government austerity measures.

Consumption benefitted from hot weather and drought in many parts of the country.

Shift from on-premise to off-premise consumption.

Growth 2011/12
- 0.8%

Per Capita 116.9
Home carbonation (Sodastream) remains an issue with over a million machines present in the market.

High quality tap water remains a barrier to still water development with “on the go” consumption being the only real opportunity.
The London Olympics and Diamond Jubilee celebrations helped drive consumption despite poor weather.

Sparkling water is growing faster than still, but from a smaller base.

Private Label continues to grow although the major brands were the biggest winners.
Strategic Challenges for Developed Water Markets
Many water brands are competing on price – creating a commoditised product.
Companies are looking for distinct Value Added positionings to drive growth and value.
As well as added functional benefits and blurring with other categories

Is this part of water’s competitive set?
Lots of water brands are also talking about sustainability

**Sustainable Messaging**

San Pellegrino’s elementary-school education initiative in Italy

**Sustainable Packaging**

Plant Based Bottles

Less Plastic
Addressing these strategic challenges is the key to maintaining growth in developed water markets of the EU.
Any Questions?