

The Can Makers

UK Market Report 2007



Introduction

We are pleased to bring you the 2007 Can Makers Report and to use the opportunity it provides to tell you about the very strong performance of the drinks can market last year.

In 2006 we shipped nearly 8 billion cans in the UK market and it remains the largest national market within Europe.

During the year the Can Makers commenced a major initiative to inform the design and marketing communities about the many possibilities for using cans for both conventional and non conventional products and these activities have continued in 2007 with a Designers Workshop and our sponsorship with Coors of a category in the Student Starpack competition.

The last year has seen a considerable amount of attention focused on the environment and in this report we set out a summary of the strong case for drinks cans and information on progress in achieving the targets set by government.

We hope that you find the report interesting and of value - please give us your feedback to; canmakers@gciuk.com

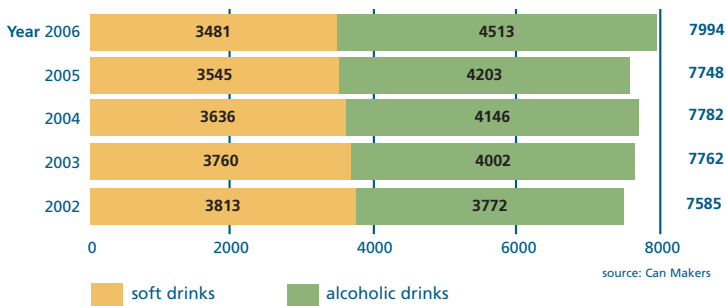
Market for drinks cans - UK

The total UK shipments of drinks cans in 2006 totalled 7994 million, representing growth of 3.2% on the previous year. This is the highest annual total since the mid 1990's when soft drinks were at their peak.

Shipments of cans for alcoholic drinks grew last year by a commendable 310 million or 7.4% to 4513 million influenced by the World Cup and the good summer weather.

In the carbonated soft drinks sector shipments again reflected the overall performance of the total market and declined by 1.8% to 3481 million.

Empty can shipments for alcoholic and soft drinks 2002 - 2006 (millions of cans)



European can market

In 2006 the total shipments of cans increased to 45.5 billion which represents growth of 10.3% over 2005, this is the highest figure recorded and the largest annual % growth rate ever.

There was particularly strong double digit growth in the Eastern European countries and in Spain and Portugal.

In Germany the market started to rebuild slowly with the introduction of new environmental legislation.



Total European can shipments 2002 - 2006 (billions of cans)



European can market - key national markets

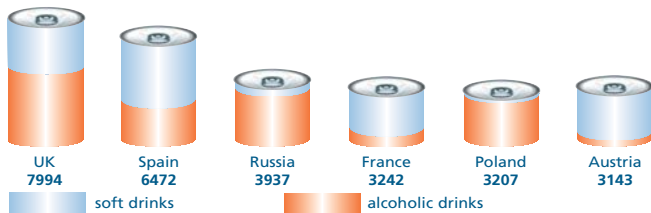
Carbonated soft drinks

Across Europe the shipments of cans for soft drinks grew by 7.6% to 22 billion, with significant growth in Spain, Belgium and the Nordic countries. In Western European countries, shipments increased by 6.3% to 20.4 billion cans and in Eastern Europe where soft drinks in cans are less well established the volume grew by 26% to 1.8 billion.

Alcoholic Drinks

The total number of cans shipped in 2006 for alcoholic drinks, mainly beer, grew by a massive 12.9% to 23.3 billion cans. With growth in every country in Western Europe apart from Italy, the regional total was 15.8 billion cans an increase of 9.3%, demonstrating the popularity of beer in cans in these markets. There was particularly strong growth in Portugal 25%, Greece 13%, Spain 11% and Turkey 9%. In Eastern Europe the market grew to 7.5 billion up 21%, with growth of 33% in the Czech Republic and Slovakia, 23% in Poland, 19% in Hungary and 16% in Russia.

2006 – main national markets

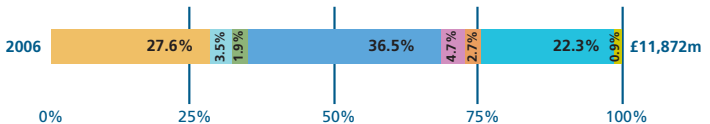


Alcoholic drinks market

In 2006 the UK market for alcoholic drinks grew by 2% to £11.9 billion. Cider was again the product with the fastest growth rate of 22%, with champagne and sparkling wine up 5% and light wine and beer up 2%. Ready to drink products, primarily FAB's declined by 12% and fortified wine by 6%.



Alcoholic drinks - take-home sales, GB off licences MAT to end Dec 2006 - by value



source: Nielsen

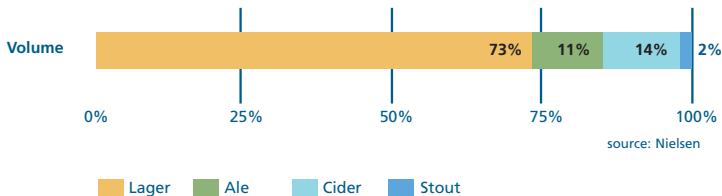
- beer
- cider
- RTDs
- light wine
- champagne/sparkling
- fortified wines
- spirits
- other

Take-home beer and cider - by type

The star performer in the take home market in 2006 was cider, which increased share to 14% of the take home market. Lager dropped back to 73% from 74% in 2006 and ale and stout retained their market shares at 11% and 2% respectively, stemming the decline of recent years.



Sales of take-home beer and cider - by type 2006



Take-home beer - by pack type

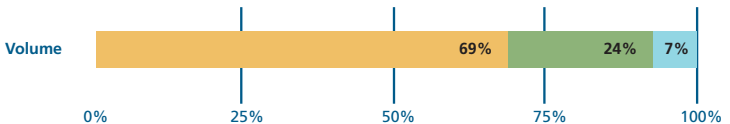
The shares of the take home beer and cider market by pack type remained the same in 2006 as in 2005. Cans continue to be the main pack, at 69% of the volume sold. In the lager sector, cans represent 73% of the volume and in ale 74%.

Cider

2006 was "the year" for cider sales, both in the on and off trades. The overall volume of take home cider sold in 2006 increased by 15% over 2005. The volume of cider sold in cans grew by 18% and they represented 40% of all the packs sold in 2006 (Nielsen).



2006 take-home beer and cider – by pack type % of volume sold



source: Nielsen

 cans  glass bottles  PET bottles

Multipacks

Multipacks are the primary pack for take home beer, indeed 93% of all take home beer in cans is sold in this way. They combine the convenience of a multiple purchase, with ease of handling and in most retail situations a price offer.

In 2006 the trend in can multipacks shows growth in the use of 8 packs at the expense of 12 packs and growth of 15 and 18 packs as alternatives to 24's, as marketers met different price points at the checkout.

In the case of glass bottles, where single packs are more important, there was growth in the use of 4, 6 and 8 packs. The use of 20 packs increased as alternatives to 24 packs.



The Can Makers

The Can Makers was formed in 1981 as the body representing the UK manufacturers of beer and carbonated soft drinks cans and their raw material suppliers. The organisation now consists of the three can manufacturers: Ball Packaging Europe, Crown Bevcan UK and REXAM who supply the UK market, together with their raw material suppliers: Alcan Rhenalu, Corus Packaging, Hydro Aluminium, Darex UK, ICI Packaging Coatings, and Valspar. AMG/Shardal Castings, the specialist detinning company, and the multipack supplier ITW Hi-Cone are also members.

Members of The Can Makers work together to promote the benefits of drinks cans and to aid communication between the industry and its customers: the brewers and soft drinks manufacturers and the retailers, as well as the packaging industry, the media and consumers.



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Soft drinks

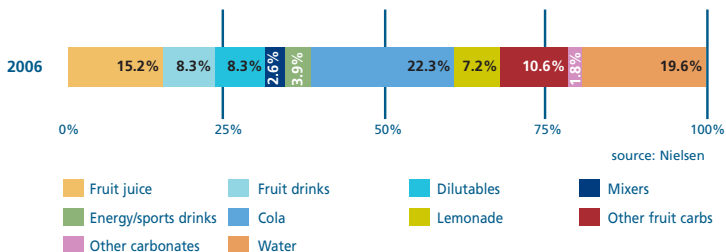
In 2006 the overall volume of soft drinks sold grew by 2.2% and 8.3% in value reflecting the moves towards more expensive, health, energy, sports drinks, and fruit juices.

The trend away from conventional carbonated soft drinks continued and in 2006 their total share of the soft drinks market was 42.1% compared with 44.5% in 2005.

On the plus side, water consumption was up 1.2%, fruit juice and dilutables each up 0.4% and energy and sports drinks by 0.5% reflecting society's moves towards fresh and healthy products, a trend felt right across the food and drinks sector.



Soft drinks market share by type of beverage 2006



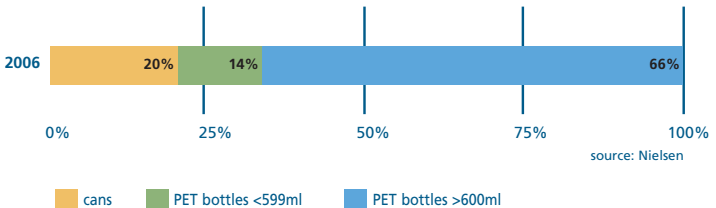
Pack shares

The mix of packs in the carbonated soft drinks market by volume in 2006 was cans 20%, small PET bottles 14% and large PET bottles 66%.

Both cans and small PET bottles gained 1% market share each, compared with 2005, with a corresponding reduction in the volume sold in large PET bottles. The most significant reduction was in the volume sold in 2 litre bottles which declined by 5% compared with 2005.



Carbonated soft drinks - share of market by pack type 2006 (volume)



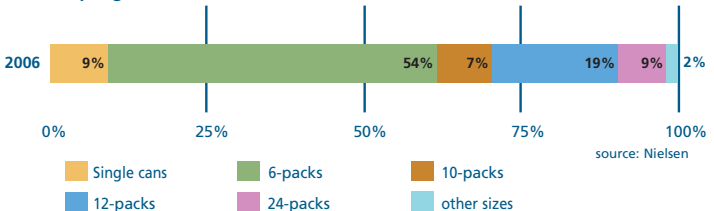
Multipack shares

The most significant changes in the use of can multipacks in 2006 were the decline in 12 packs and the growth in 10 packs- no doubt to meet a particular price point.

Six packs continue to be the mainstay of the CSD section and account for 54% of cans sold in multiple grocers.



Carbonated soft drinks - share of can sales by size of pack - % of units sold in multiple grocers 2006



The environment and recycling

The can manufacturing industry has been communicating about the significant environmental benefits of using aluminium and steel cans for drinks packaging for many years now. This year we are encouraged to see an unprecedented upsurge in media and public interest in protecting the environment. We are pleased to outline the positive environmental credentials of drinks cans today.

Properties

First the drinks can has several inherent properties which make it ideal for recycling.

- All drinks cans are recyclable – both aluminium and steel.
- Both materials can be recycled an infinite number of times without loss of their essential properties.
- The recycled metal from drinks cans is a truly renewable material, retaining the same characteristic as the original material. This is in stark contrast to other packaging materials – paper, board and plastics – where recycled material is a lower quality having lost some of its original properties.

Infrastructure

More good news for keen environmentalists, retailers and drinks manufacturers is the ease with which the process of recycling materials from drinks cans takes place.

- The metals industry has the capacity to take back all the cans that are collected, indeed the UK has five major established reprocessing facilities in operation.
- There is no limit on the amount of material which can be reused.
- Furthermore recycling is easy with a wide range and variety of well established schemes in place to recover used cans.

The environment and recycling



- Kerbside collection, is expanding rapidly as consumers respond to local authority promotion and schemes. 90% of UK households now have access to the kerbside collection of metal packaging



- 'Bring schemes' in town centres, supermarkets, car parks and many other local arrangements enable consumers to recycle drinks cans



- Magnetic extraction and other techniques enable cans to be separated from the post-consumer waste stream

Targets

The short term EU and Government target for recycling of all metals is to reach 50% by 2008. In fact DEFRA recently reported that this target was exceeded in 2006, with 54% of all metals recycled, compared with 47% in 2005. The 2006 figures for steel recycling were 57.3% and for aluminium 32.5%. The aluminium drinks can recycling rate was 48%. Overall 438,160 tonnes of metal packaging was collected for recycling in the UK in 2006. (DEFRA)

The high scrap value of metal packaging means that it makes a positive contribution to the cost of operating collection schemes.

Overall Environmental Considerations

In terms of sustainability, the story of cans is doubly positive in terms of both availability of raw materials and environmental impact.

The environment and recycling

- Bauxite and iron are the 3rd and 4th most abundant elements in the Earth's crust.
- Even without anticipated improvements in recycling, the known sources of iron and bauxite could cover up to 700 years consumption at current rates.
- Recycling metals saves 80% of the energy required to produce steel from virgin materials and 95% of the energy required to produce primary smelted aluminium.



Recycling one aluminium can saves enough energy to:

- run a TV for two hours
- run a computer for three hours
- run a 100 watt light bulb for 20 hours

The energy saving by recycling packaging steel from one household for a year is sufficient to:

- boil a kettle over 300 times
- power a car for 100 km
- run a fridge freezer for over a month

Past successes, future hope

Over the past 25 years a huge amount has been achieved in recycling drinks cans.

- 150% increase in the can recycling rate (EU average)
- 45% reduction in the weight of beverage cans (EU average)
- 20% reduction in the tonnage of virgin materials required
- 50% reduction in net energy consumption
- 60% reduction in net CO² emissions

The arguments for using cans in drinks packaging are overwhelming and with the inherent benefits outlined here and such a strong environmental heritage, the future looks promising.

Marketing and design initiatives

In 2006 the Can Makers launched an initiative to target the key decision makers within manufacturing and the design community. In particular we wanted to encourage designers and marketers to think more of using beverage cans when launching products.

Working in association with the DBA and the Museum of Brands, Packaging and Advertising, the Can Makers launched a 'Canny Design Competition'. Designs were asked to enter graphic designs for new beverage cans. The winners' designs were featured in adverts in Marketing and the winning cans were also on display at the Museum of Brands, Packaging and Advertising.

The Can Makers held its first workshop for designers in March 2007 with the aim of increasing knowledge and understanding among designers of what can be done with cans. Delegates heard presentations on the range of drinks can features and took part in breakout sessions run by industry experts. The feedback was extremely positive with many designers saying they found the event informative and interesting.



Outlook

The Can Makers see the prospects for drinks cans in the UK market as good. This view is supported by the continued strong performance of the take home beer market, the signs of investment in new products in the CSD market that meet consumer needs and the strong environmental position of the can, compared with other forms of drinks packaging.

In the take home beer market, drinks cans continue to be the main pack for both lager and ale and are helping drive volume in the dynamic cider market. In 2007 there is no major sporting event to lift sales, but with the "promise" of a good summer and competitive retail prices of take home beer, we expect volumes to grow.

Investments in new low/no sugar products, functional drinks and the energy sector are introducing products that meet changing consumer requirements for healthy and nutritional drinks. Over time they should impact positively on the CSD market and the demand for drinks cans.

The increasing emphasis on the environment is putting the spotlight on all forms of packaging. In the case of drinks cans, we have a strong environmental position outlined earlier in the report and whilst achieving higher and higher recycling rates are a challenge to the industry, the rates continue grow and to meet the short term Government targets.