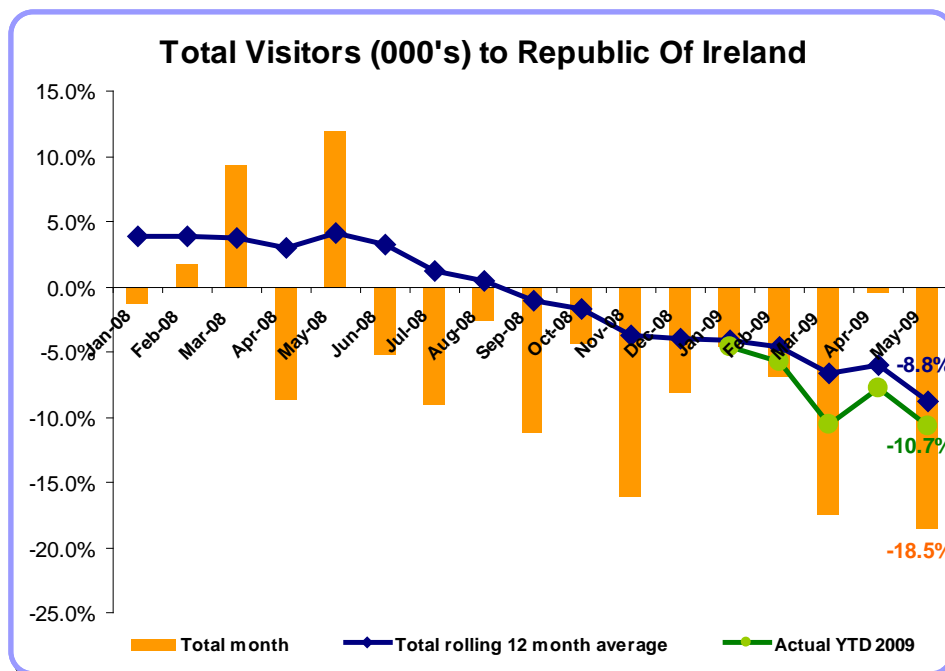


The tourism industry worldwide is experiencing a very difficult year due to the continued uncertainty in the global economy. With no significant improvement in consumer confidence and a further deterioration in air access capacity from our major source markets, conditions remain very challenging for the tourism industry on the island of Ireland.

Visitors, revenue, holidaymakers and bednights are all in decline for the year-to-date. In March 2009, Tourism Ireland revised down its visitor, promotable and revenue forecasts for the year due to the impact of the world recession and the deterioration in the marketing environment. An updated assessment of the current environment is included in this paper.

Performance to Date

2009 has been a difficult year for the tourism industry. Overall visitors to the Republic of Ireland have declined by -10.7% during the first five months of the year according to the Central Statistics Office (CSO). There have been sharp declines from our four main market areas. Great Britain (-15.8%) has declined most steeply, while North America (-5.2%) and Mainland Europe (-4.4%) also saw significant declines. Using a 12 month moving average to smooth out short-term fluctuations and highlight longer-term trends we can see that there has been an underlying decline in visitor numbers of -8.8% over the period from June 2008 to May 2009.



At present we have no official performance data for Northern Ireland. However, based on data from the Northern Ireland Hotels Federation and anecdotal feedback from industry, the first half of the year has seen a weakening of demand and room rates. Summer air access capacity to

Northern Ireland is expected to be down by -14% in 2009 compared to 2008 so the peak season will be equally challenging.

A similar decline is being experienced by most of the world's tourist destinations. According to the UNWTO World Tourism Barometer, international tourism declined by -8.4% between January and April while travel to Europe declined by -10.4%. Based on this data it would appear that the Republic of Ireland is performing broadly in line with our European competitors.

| January – April UNWTO results 2009 | |
|--------------------------------------|--------------------|
| Region | % change over 2008 |
| World | -8.4% |
| Europe | -10.4 % |
| Republic of Ireland Jan – May | -10.7% |

Results for revenue, holidaymakers and bednights are only available for the first quarter for the Republic of Ireland, but are not encouraging. However Easter fell in April in 2009 but in March in 2008 so this contributed to the decline compared to Q1 2008. Revenue decreased by -15% during January to March 2009, with the greatest decline from Great Britain and Other Areas.

During the first quarter of 2009 the number of holidaymakers declined sharply by -19%. Again, Easter is likely to have contributed to the decline. While Mainland Europe delivered growth in holidaymakers (+10%) in the first quarter, numbers are believed to have weakened in the most recent period.

There was a -12% decline in overall bednights during the first three months. All sectors suffered with both Hotels and B&B's down -20%. Hostels are the only accommodation sector to have increased (+44%) - perhaps reflecting a switch towards an accommodation type that is perceived as less expensive.

Based on data from the Northern Ireland Hotels Federation and feedback from industry, we expect Northern Ireland revenue to decline at a slower rate than the island of Ireland as a whole, gaining some benefit from the weakness of sterling.

GB – Tourism Ireland delivered 18 million direct marketing pieces and tactical inserts to the consumer so far this year



| | | | |
|---|---|---|--|
| <p>Travel with Ryanair from just €39 one way</p> <p>RYANAIR</p> | <p>PG&O Irish Sea weekend from €69 one way</p> <p>PG&O Irish Sea</p> | <p>Stay 5&B from €285 at Pines and Country House</p> | <p>Stay at the Ballymore 5&B Rose Park Resort for just €405*</p> |
| <p>Fast Legair flights from just €24.99 one way with Aer Lingus</p> <p>airlegair.com</p> | <p>Sail with North-Link from €27 one way</p> <p>northlink.com</p> | <p>Irish Country Hotels from €44pp*</p> | <p>Activity break at the Dalkey Mountain Resort</p> |
| <p>Fly to Belfast from €9.99 one way with Aer Lingus</p> <p>aerlingus.com</p> | <p>Steam Line - Great value hotel breaks in Ireland from €39 per person</p> <p>SteamLine</p> | <p>A night for 5 at Cavan and Clangy Island</p> | <p>Family fun in Ireland's Lake District for just €84pp*</p> |
| <p>Fly to Ireland from €20 one way with Aer Arann and Aer Lingus</p> <p>Aer Arann</p> | <p>Irish Terrace Holidays 4* Cottages from €14 per adult per night</p> <p>Irish Terrace</p> | <p>Enjoy with stays in Belfast from only €250/5pp*</p> <p>JURYS INNS</p> | <p>Escape to County Meath from just €69pp*</p> <p>Meath</p> |
| <p>Take your car on Steam Line from €60 one way</p> <p>Steam Line</p> | <p>Irish Hotels Federation Value Breaks from €85pp*</p> <p>Irish Hotels Federation</p> | <p>The perfect fun when you're in Limerick from just €38 00pp*</p> <p>JURYS INNS</p> | <p>Stay and save at the Malin Hotel, Westend</p> |

The Global Situation in July 2009

France – Tourism Ireland delivered a price-orientated e-zine to 1.2 million consumers

Irlande... Ireland... vous amportez

Il n'y a jamais eu de meilleur moment pour partir visiter l'île d'Irlande.

Consultez vite l'échantillon d'offres spéciales ci-dessous, et à vous les paysages sublimes, le patrimoine culturel et l'accueil chaleureux de l'Irlande.

| | | |
|---|--|---|
| 99€ par personne (base 2) pour 1 nuit en 4* + P.D + dîner + parcours de golf ou soin au spa | 99€ chambre + petit-déjeuner pour 2 en hôtel 4* | 195€ par personne pour 1 semaine en location + traversées maritimes avec votre véhicule |
| 199€ la bavarole maritime | 299€ Méli-Break en famille en hôtel | 395€ la semaine de location de |

Economic indices have continued to decline in our source markets since March and remain at very weak levels. As a result, Oxford Economics' GDP growth forecasts for the year have been revised down to -3.0% for the USA, -4.1% for the UK and -4.8% for the Eurozone.

However, at the end of the second quarter we are beginning to see the first signs that the decline in the global economy may be slowing. In the US, there have been slight improvements in the housing market and construction activity, while consumer spending appears to have grown a little. Encouragingly, there are some signs of stabilisation in the UK.

Unemployment is still rising fast though - in the Eurozone unemployment reached 9.6% by June 2009 and is expected to exceed 10.9% in 2010, while in the US and UK unemployment is currently at 9.3% and 5.4% and this is expected to rise to 9.6% and 6.6% respectively in 2010.

The disposable income of many of those in employment is likely to continue to suffer as governments worldwide seek to increase taxes in order to pay for growing deficits. Although interest rates are at some of the lowest levels ever seen, the collapse in house prices, savings and pension expectations are making consumers very wary of spending at the moment.

The H1N1 (Swine Flu) pandemic is beginning to impact visitors flows internationally. Tourism Ireland is actively monitoring the possible impact of the H1N1 flu virus on visitor numbers to the island of Ireland.

In consumer research carried out by Tourism Ireland in GB last autumn, one-third of our target audience said the economy will affect their holiday behaviour in 2009. Of those, 44% expect to choose destinations which offer value for money when they are there,

USA – Reached 2.3 million consumers through a spring tactical print and radio campaign

Ireland, More for Less
 Ireland is a short flight and with unbeatable travel offers, there's no time like now to begin your journey. Once you're there, who knows where your adventure will take you?

GRAND CAUSWAY

The Walled City of Loughcutty

Castle Leslie

Christchurch Cathedral

Tea Room

The Burren

Clendalough

Bunratty Medieval Banquet

Krag John's Castle, Limerick

Waterford Crystal

CIT TOURS
 Enjoy a 9-Day Mystical Escorted Tour through Ireland from \$1258. Visit cietours.com

myguideIreland
 Discover Ireland's North with a 7-Day Self-Drive Tour from \$619. Visit myguideireland.com

DELTA
 Great value airfares to Ireland from Atlanta with Delta. Visit delta.com

For more great vacation offers, visit discoverireland.com.

Go where Ireland takes you

while 44% also said they will choose a destination which is less expensive to travel to and 40% will spend less when on a short break.

Worldwide – Tourism Ireland achieved an equivalent advertising value of €114 / £100 million through publicity so far this year



Similar research was carried out in the US, where over half of our target audience said the economy was likely to affect their holiday plans in 2009, with 52% claiming they will choose a less expensive destination and 46% expecting to choose a destination which offers value for money when they are there.

The industry has responded to this environment by increasing the amount of value offers available to the consumer, which has undoubtedly assisted in holding our market share so far this year.

Impact of the Changed Market Environment for the Island of Ireland

In March Tourism Ireland produced the following range of forecasts for tourism performance this year:

Tourism Ireland’s Forecast for the Island of Ireland 2009

| | Visitors | Promotable Visitors | Revenue |
|-------------------|------------|---------------------|-------------|
| Best Case | -4% | -4% | -4% |
| Middle Scenario | -7% | -8% | -9% |
| Worst Case | -9% | -11% | -15% |

We expect, based on what we now know, that the outcome for visitor numbers for 2009 to the island of Ireland is likely to be close to our worst case forecast. We expect Great Britain to exceed our worst case forecast however this decline is being partly offset by a lesser decline from Mainland Europe. There is still insufficient data to thoroughly review the promotable forecast; however, based on industry sentiment we expect promotable numbers to be close to, or to exceed the worst-case forecast.

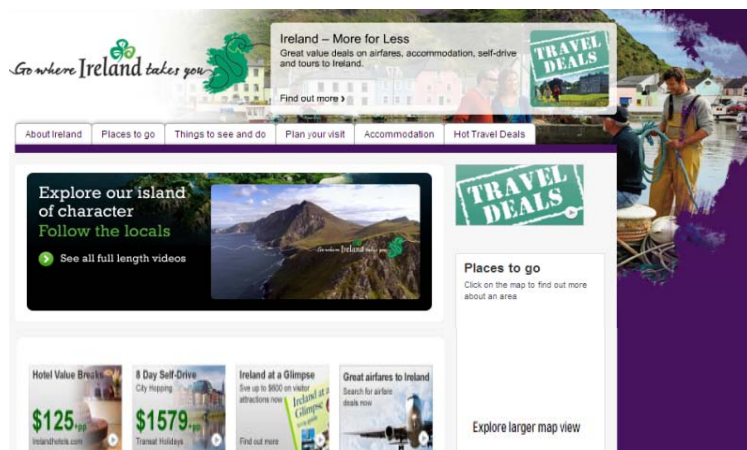
In light of the significant increase by the industry in cutting their prices to the consumer we anticipate that revenue will decline by at least -15%. However, given the extremely late booking pattern, Tourism Ireland still feels that a significant amount of business can be won and has adjusted its campaigns to reflect a more tactical focus in the latter part of the year.

In the current worst-case scenario we still expect at least 8 million visitors and 3.5 million promotable visitors to visit the island of Ireland this year.

Responding to the Challenging Marketing Environment

Tourism Ireland has implemented a range of initiatives to address the market weaknesses and to win business in this aggressively competitive marketplace. We are strongly communicating to the consumer that the island of Ireland is a great place to visit, is easily accessible and offers great value for money. Our marketing campaigns have focused on securing as much business as possible for the peak and shoulder season. We have invested over €13/£12 million in tactical and co-operative marketing activity to stimulate business to the island of Ireland now. To support this we have provided thousands of promotional opportunities worldwide to the industry so they can present the consumers with compelling bookable offers.

Worldwide – Focusing on generating over 11 million web visits by the end of the year



To continue to secure as much business as possible, Tourism Ireland is focusing on generating over 11 million web visits to discoverireland.com and our suite of sites which feature hundreds of offers at any given time. From these web visits, our priority is to generate over 2 million referrals to industry websites in order to help enterprises close the sale with potential visitors. We will have nearly 3 million consumers on our database by the end of the year - all of these consumers have expressed an interest in hearing about the island of Ireland and we are targeting them with special offers throughout the year.

Tourism Ireland will be investing in excess of €18/£16 million in overseas marketing activity during the second half of the year. Some of our marketing activity highlights are outlined below.

Key Marketing and Tactical Activity by Tourism Ireland

| | |
|----------------------|---|
| Great Britain | <ul style="list-style-type: none"> ➤ Distributing 5 million print inserts for Lakelands, East Coast, Dublin, Belfast in selected newspapers during July–Sept to promote accommodation, access and package offers. ➤ Investing heavily throughout summer in co-operative marketing activity with air and sea carriers and GB based trade partners to promote value fares, packages to the island of Ireland and to encourage last minute bookings. ➤ Investing c. €2m/£1.75m during August and September in national press and radio advertising, supplements and PR activity featuring well-known personalities to promote Autumn Breaks. Offers will be highlighted to stimulate bookings. Key titles include The Observer (16 page supplement, 800,000 circulation) and The Sunday Telegraph (16 page supplement, 400,000 circulation). ➤ Investing over €120,000/£105,000 in promoting our new Island of Ireland Business Tourism offers site (irelandmeansbusiness.com) through online and offline communication. Activity to include a suite of 7 e-zines to 3,000 meeting and conference organisers, highlighting attractive day delegate, 24 hour and residential rates. |
|----------------------|---|

| | |
|----------------------|--|
| North America | <ul style="list-style-type: none"> ➤ Commencing a 6 week multichannel TV tactical campaign in August in key designated market areas in the US. Total print campaign featuring partner and carrier offers will reach 11 million consumers. 2 week radio campaign will run in New York, Boston and Chicago with an audience reach of 5 million. ➤ Implementing an autumn online direct marketing campaign that will feature great value product offers and airfares to reach more than 40 million consumers in July-October. Tactical messaging will also be featured on key travel, news & lifestyle websites. Online tactical display campaign will generate 10 million impressions. ➤ Reaching 18 million households through our TV, tactical on-line advertising and sponsorship promotion in New York, Boston and Los Angeles around the US Tennis Open in late August. ➤ Promoting autumn and winter airfares through on-and-offline carrier co-op campaigns with Aer Lingus, American Airlines, Continental Airlines, Delta Airlines and US Airways. ➤ Implementing a co-op campaign with key FIT & escorted operators in August and September in order to convert business in quarters 3 and 4. |
| Europe | <ul style="list-style-type: none"> ➤ Running outdoor and station video screen advertising in June and July throughout cities in Germany which will target 2.2 million consumers with tactical messages. ➤ Implementing outdoor and online tactical campaigns in June and July to promote air access in Germany, Netherlands and France, to target the last minute holiday decisions of 3 million consumers. ➤ Working with ebookers on a tactical partnership campaign in Sweden, which will reach approximately 1 million urban consumers through online and radio over 4 weeks. ➤ Implementing a radio campaign in Netherlands to support weekend packages to Ireland, with online support from leading local online operator targeting 1.5 to 2 million consumers over two months. ➤ Contacting approximately 5 million consumers through a tactical print and online campaign in September in France, Spain & Italy with great value offers from Tour operators, carriers and suppliers. ➤ Hosting DerTour's Reiseakademie (Travel Academy) in November which will bring in 750 travel agents to Killarney over a period of 2 weeks with fam visits across the island of Ireland. |

Conclusion

We are living through one of the toughest periods for tourism on the island of Ireland, and for tourism worldwide, and we recognise the impact that this is having on individual businesses across the island. Tourism Ireland is committed to working to support the industry through these difficult times by marketing aggressively to win as much business as possible this year while also positioning the destination to take advantage of the upturn when it comes. Our message is that there has never been a better time to visit the island of Ireland – with great fares by air and sea, terrific offers from industry partners and a wonderful holiday experience when you get here.