



Liquid Assets

BEVERAGE COMPANIES EXPAND THEIR HORIZONS

The 300 billion gallons of beverages that the world consumes each year could cover the state of Rhode Island in a sea one foot deep, estimates The Beverage Marketing Corp., which says tea and milk are the most commonly purchased drinks worldwide. But carbonated beverages still account for “83 percent of our sales volume,” says Douglas N. Daft, chairman and CEO of **The Coca-Cola Co.** (KO). Nevertheless, Daft adds, “We are expanding our noncarbonated beverages to achieve growth that at least matches our carbonated business.”

Analysts say that as companies expand outside the U.S., consumers will be drinking beverages flavored with hot



pepper, ginger and wasabi. In a similar flavor-expanding trend, spirits companies are introducing “raspberry and vanilla vodkas, and apple and banana cordials,” notes Richard Sands, **Constellation Brands Inc.** (STZ) chairman and CEO. The BMC forecasts 11 percent annual growth over the next few years for the U.S. spirits market. “We sell an affordable indulgence,” says Paul Walsh, **Diageo plc** (DEO) CEO.

But, points out the BMC, the fastest-growing beverage category worldwide is bottled water. Some are enhanced with vitamins and others are simply flavored. “The appeal for water will continue to grow as you have more health-conscious consumers,” says Frank Weise, chairman and CEO of **Cott Corp.** (COT).

BY NOSHUA WATSON | ART BY TOPDOG ILLUSTRATION

BEVERAGE COMPANIES AT A GLANCE

NAME OF COMPANY	MARKET CAP (\$ MILLIONS)*	HOME COUNTRY	QUICK FACTS [§]
The Coca-Cola Co. (KO)	123,507	U.S.	More than 1 billion brand servings are consumed worldwide every day.
PepsiCo Inc. (PEP)	83,348	U.S.	Was first created and served in New Bern, N.C., in 1898.
Kraft Foods Inc. (KFT)	57,360	U.S.	Sells about 94 billion cups of coffee annually around the world.
Anheuser-Busch Cos. Inc. (BUD)	42,131	U.S.	World's largest brewer; sells 130 million barrels of beer each year.
Diageo plc (DEO)	41,481	U.K.	Makes eight of the 20 top-selling premium distilled spirits brands.
Unilever NV/Unilever plc (UN/UL)	39,370	Netherlands/U.K.	Generates \$4 billion annually from beverages, and health and wellness products.
Groupe Danone (DA)	23,351	France	Derives 30 percent of its revenues from beverages.
Sara Lee Corp. (SLE)	16,762	U.S.	\$2.75 billion in annual revenues comes from its 36 brands of coffee and tea.
Cadbury Schweppes plc (CSG)	16,192	U.K.	Earns half of its \$10 billion revenues from beverages.
Coca-Cola Enterprises Inc. (CCE)	10,599	U.S.	World's largest Coke bottler; produces 4.3 billion cases each year.
Allied Domecq plc (AED)	9,132	U.K.	Maker of Kahlúa and Malibu liqueurs.
The Pepsi Bottling Group Inc. (PBG)	7,230	U.S.	Bottles 40 percent of all Pepsi beverages sold worldwide.
Ambev - Companhia de Bebidas das Americas (ABV)	5,495	Brazil	Produces 1.5 billion gallons of beer annually.
Coca-Cola HBC S.A. (CCH)	5,321	Greece	Bottles 1.6 billion gallons annually across 13 time zones.
Dean Foods Co. (DF)	5,154	U.S.	Produces dairy products and refrigerated soy milk in the U.S.
Constellation Brands Inc. (STZ)	3,272	U.S.	Exports wines from Australia, Chile, New Zealand, South Africa and the U.S.
Brown-Forman Corp. (BFB)	3,052	U.S.	Jack Daniel's maker; beverages make up 76 percent of revenues.
Fomento Económico Mexicano S.A. de C.V. - FEMSA (FMX)	2,777	Mexico	Produces 40 percent of Coke sold in Latin America; exports Dos Equis beer.
PepsiAmericas Inc. (PAS)	2,679	U.S.	Second-largest Pepsi bottler; operates in the Caribbean, Europe and the U.S.
Adolph Coors Co. (RKY)	2,161	U.S.	Invented the aluminum can in 1959.
Cott Corp. (COT)	1,924	Canada	Produces store brands for Wal-Mart Stores Inc. (WMT), among others.
Compañía Cervecerías Unidas (CU)	1,358	Chile	Brews Cristal, a Chilean beer; markets to Argentina, Brazil and Chile.
Wimm-Bill-Dann Foods OJSC (WBD)	731	Russia	A Russian dairy product producer; owns J7, Russia's top-selling juice.
Embotelladora Andina S.A. (AKO)	687	Chile	Distributes 328 million gallons of Coke products in South America a year.
Quilmes Industrial S.A. (Quinsa) (LQU)	648	Luxembourg	Distributes Pepsi in Argentina and Uruguay.
Viña Concha y Toro S.A. (VCO)	584	Chile	Sells 2.1 million cases of wine in the U.S. annually.
Boston Beer Co., The (SAM)	166	U.S.	Known for Samuel Adams Boston Lager; has won more than 500 beer awards.

*AS OF FEB. 5, 2004 §QUICK FACTS PROVIDED BY RESPECTIVE COMPANIES.

Low-Cal Drinks

Health and nutrition are becoming as important as taste to trend-conscious beverage consumers, according to industry insiders. "One of the biggest trends we continue to see is the interest in health and wellness," notes Steven Reinemund, chairman and CEO of **PepsiCo Inc.** (PEP). "This includes reduced-calorie or reduced-fat products, foods or beverages with proven good-for-you benefits, or a focus on low carbs," Reinemund explains. Weise of Cott Corp. projects: "You'll see a whole section of no-cal, no-carb clear products with flavors that taste like fruit." The health trend is particularly true of low-carb beer; **Anheuser-Busch Cos. Inc.** (BUD) is introducing Michelob Ultra, and **Adolph Coors Co.** (RKY) is bringing out Aspen Edge. Finally, bottled water, the original health-minded drink, is growing in acceptance, says the BMC.



[OVERVIEW]

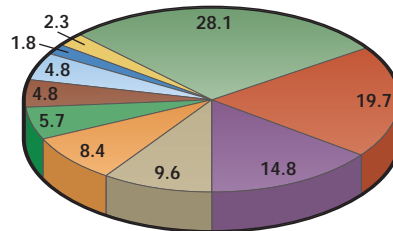
QUENCHING GLOBAL THIRST

Soda represents the most popular drink in the mature U.S. beverage market, followed by beer and milk, notes the BMC. In contrast the international market has room to grow, observes Constellation Brands' Sands. Data from the BMC indicates that people around the world drink primarily tap water, followed by tea, milk and then soda.

What the U.S. and international markets have in common is the rapid growth of bottled water consumption — increasing annually by an average 11.5 percent rate internationally and 12.3 percent in the U.S., reports the BMC.

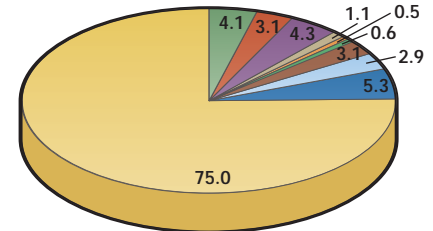
"Demand will continue to grow as long as you have health-conscious consumers," says Weise of Cott Corp. "We're introducing clear fruit refreshers that are calorie-free and carbohydrate-free," he explains. "Flavors such as cranberry, lemonade and peach citrus are available."

U.S. BEVERAGE MARKET DISTRIBUTION* (%)



Total U.S. beverage market is \$160 billion in annual sales.

GLOBAL BEVERAGE MARKET CONSUMPTION* (%)

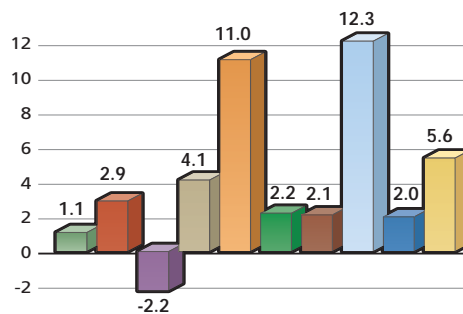


Consumption by volume, including the U.S.

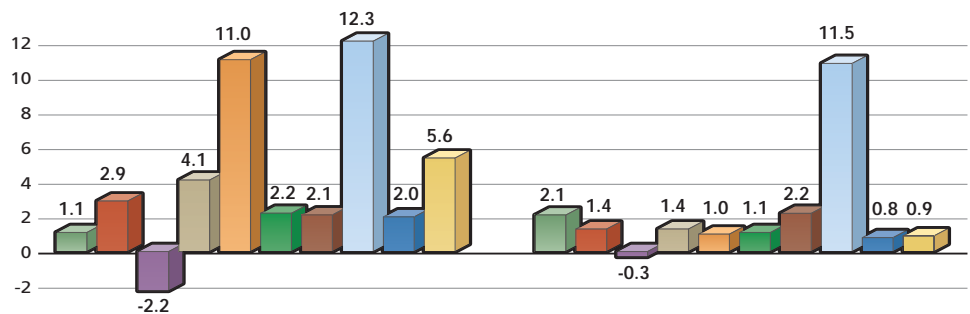
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*IN 2002 SOURCE: THE BEVERAGE MARKETING CORP.

U.S. BEVERAGE MARKET GROWTH RATES* (%)



INTERNATIONAL BEVERAGE MARKET GROWTH RATES* (%)



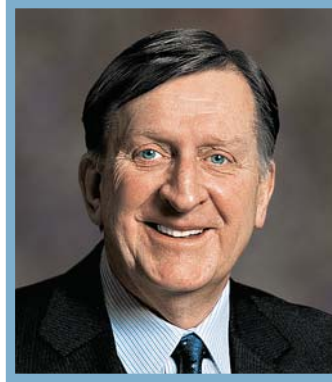
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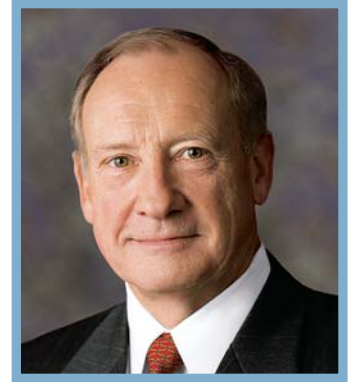
“As a bottler in the growing Latin American market we had to decide whether to just ride the wave or speed ahead. We chose to develop a continental platform for our beverages.”

— JOSÉ ANTONIO FERNÁNDEZ CARBAL, CHAIRMAN AND CEO, FEMSA (FMX)



“This is the most dynamic, fascinating industry around. It has more potential — for consumers who buy its products, the companies that sell them, and their investors — than any other industry I can think of.”

— DOUGLAS N. DAFT, CHAIRMAN AND CEO, THE COCA-COLA CO. (KO)



“Internationally, we seek to invest in other leading brewers in high-growth markets, like China and Mexico. Second, we look to build Budweiser into a leading international premium beer brand.”

— PATRICK STOKES, PRESIDENT AND CEO, ANHEUSER-BUSCH COS. INC. (BUD)

BEVERAGES OF THE WORLD

Some 49 billion gallons of carbonated beverages are consumed around the world each year, estimates the BMC. To cater to local tastes, The Coca-Cola Co. says it produces more than 300 beverage brands in over 200 countries, in flavors ranging from guaraná (made from jungle seeds) in Brazil to sparberry (raspberry) in South Africa.

According to the BMC, although soda is more popular overall, bottled water consumption is growing 24 times faster around the world, especially in such countries as India, China and Brazil.

A SELECTION OF FAVORITE CARBONATED BEVERAGE FLAVORS AND THE TOP 10 FASTEST-GROWING CONSUMERS OF BOTTLED WATER BY NATION



FLAVOR SOURCE: THE COCA-COLA CO.

THE ANNUAL % INCREASE IN BOTTLED WATER CONSUMPTION IS SHOWN FOR THE 10 NATIONS WITH THE HIGHEST GROWTH RATES*

*IN 2002 SOURCE: THE BEVERAGE MARKETING CORP.