Industry Focus

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Beverage Weekly Trends

PepsiCo Adds Sabra Dips to Its Healthy Snacks Portfolio - And Other Weekly Takeaways

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- **PepsiCo's Frito Lay Expands Its Offering of Healthy Snacks** – PepsiCo announced that it has formed a JV with Strauss Group Ltd, an Israeli Food Company to market and distribute dips and spreads in the US and Canada under the Sabra brand. The transaction expands Frito Lay's portfolio of healthy snack food offerings and complements Frito Lay's other good for you snack food brands.

- **Tight European Hop Supplies Exacerbate Input Cost Inflation For Brewers** – Association of German Hop Growers called the European hop supply extremely "tight", with the market on the brink of a shortage that may last until early 2009. We believe that the cost environment for the major brewers will continue to be elevated in 2008 as the tight supply of hops and barley places pressure on brewers' operating margins.

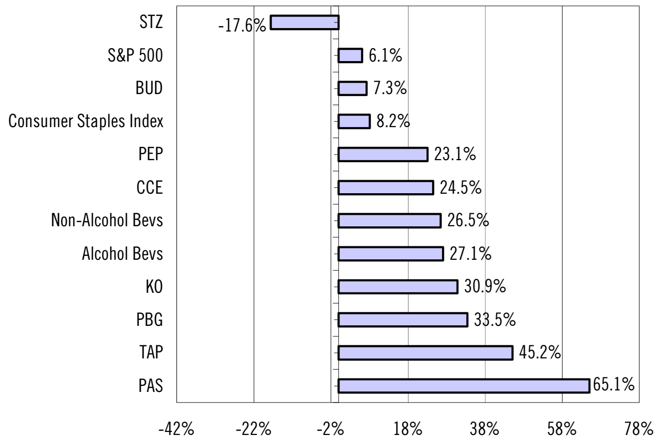
- **Muhtar Kent Next in Line for CEO –** KO announced that Muhtar Kent will be taking the CEO title from Neville Isdell on July 1, 2008. Mr. Isdell will stay on as Chairman until April 2009. We expect a seamless transition between the two executives as both executives have a longstanding working relationship and Mr. Kent has been integral in developing KO's risk taking strategy.

- **CCE Goes Green** – CCE has purchased five new hybrid-electric delivery trucks for use at the company's Bronx warehouse. The company also reported that it plans to ramp-up the use of the hybrid-electric delivery trucks to 120 across its US fleet by the end of 2007. The use of hybrid-electric delivery trucks is one of the various alternatives to offset the rapid increase in energy costs and a response to concerns brought forward by environmental groups.

See Appendix A-1 for Analyst Certification and important disclosures.

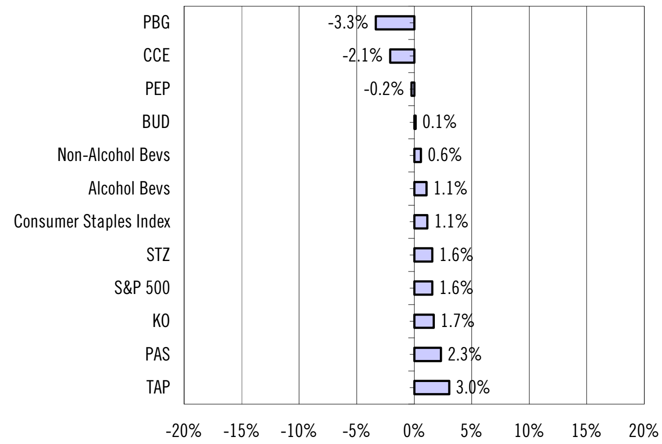
This Week's Topics

Figure 1. Year-to-Date Stock Performance (as of 12/7/07)



Source: StockVal, Citi Investment Research

Figure 2. Week-over-Week Stock Performance (as of 12/7/07)



Source: StockVal, Citi Investment Research

Figure 3. Upcoming Events

Date	Ticker	Company	Event	Time (ET)	Domestic Phone #	Int'l Phone # / Pswd
10-Dec	All	All	Beverage Digest Future Smarts Conference			
12-Dec	CCE	Coca-Cola Enterprises	Company Update Conference Call	10am	888-673-9806 Passcode:CCE	773-681-5826 Passcode:CCE
12-Dec	CCE	Coca-Cola Enterprises	Analyst Reception			
13-Dec	PBG	Pepsi Bottling Group	Investor Day	8am-1pm		
17-Dec	DGE-L	Diageo	CAGNY Lunch Presentation (NYC, NY)	12pm		
31-Jan	BUD	Anheuser Busch	4Q07 & FY07 Earnings Result	4pm		
12-Feb	TAP	Molson Coors	4Q07 & FY07 Earnings Result	12pm		
19-Feb	CARCB.CO	Carlsberg	FY2007 Earnings Result			
Feb 25-26, 2008	BUD, TAP	BUD, TAP	Beer Business Daily Industry Summit			
5-Mar	TAP	Molson Coors	Investor/Analyst Day NYC			
Apr 16-19, 2008	BUD, TAP	BUD, TAP	Craft Brewers Conference (San Diego)			
May 21-22, 2008	All	All	Beverage Forum 2008			
6-May	TAP	Molson Coors	1Q08 Earnings Result	12pm		
5-Aug	TAP	Molson Coors	2Q08 Earnings Result	12pm		
5-Nov	TAP	Molson Coors	3Q08 Earnings Result	12pm		

Source: Citi Investment Research

PepsiCo Expands Its Good for You Snacks with a JV

PepsiCo announced that it will enter into a JV with Strauss Group Ltd, an Israeli Food Company to make dips and spreads in the US and Canada under the Sabra label. Strauss is Israel's largest food company and is the producer of Sabra hummus and Mediterranean dips. Although limited financial details were provided, the transaction will be structured as a 50/50% JV equally owned by Strauss and PepsiCo's Frito Lay and is expected to close in early 2008.

Sabra expands Frito Lay's portfolio of healthy snack food offerings and complements Frito Lay's other niche good for you brands which include Stacy's Pita Chips and Flat Earth Fruit and Vegetable Chips. The deal is inline with PepsiCo's recent moves to acquire small niche brands that cater to consumer health and wellness trends and that are outgrowing the overall snack food category. We view the transaction as positive as the products leverage PepsiCo's strength in direct store distribution and complement Frito Lay's diverse product offerings in chips and dips.

Tight European Hop Supply an Additional Source of Input Cost Inflation for Brewers

In an interview with Modern Brewery Age, Dr. Johann Pichlmaier, President – Association of German Hop Growers, called the European hop supply extremely “tight”, with the market on the brink of a shortage that may last until early 2009. Stating the cost and the gestation period involved in setting up appropriate infrastructure, Dr. Pichlmaier also ruled out the possibility of the immediate emergence of any new Hop growing regions. The current market situation, according to Dr. Pichlmaier, is the result of the combined effects of an exponential increase in demand from fast-growing beer markets such as Russia and China, a consistent drop in hop production due to historical lower prices and the recent inclement weather causing damage to hop crops in parts of Europe.

A-B’s management re-iterated the impact of elevated agricultural prices, including hops and barley, as the main driver of cost of goods sold increases in 2008 in its investor meeting. We believe that the current hop supply situation may result in higher input cost for larger brewers, but smaller than at craft brewers as most of the larger brewers source their respective hop requirements through longer-term forward contracts.

Advertising Wars Begin in Luxury Vodka Category

Ad Age magazine reported that Moet Hennessy will begin a $20mm advertising campaign for its Belvedere vodka brand positioned against its leading competitor Bacardi's Grey Goose vodka. Growth in sales of Belvedere have slowed, rising 380,000 cases to 2.2 mil cases while sales of Grey Goose have surged growing by 700,000 cases to 3 mil cases. The new media campaign attempts to appeal to vodka drinkers that feel that the category has become too generic and positions Belvedere as "the downtown alternative to stuffy uptown options". Grey Goose's advertising campaigns target the upscale consumer.

Both companies are targeting the highly lucrative and increasingly competitive luxury vodka category which is the fastest growing spirits segment. Grey Goose, although only the 11th largest global vodka brand according to IMPACT databank, grew by 30.5% in 2006. Belvedere, the 15th largest global brand grew an impressive 28.7% in 2006 but growth has slowed for the brand as other luxury vodka brands have increased media ad spending. Moet Hennessy hopes to recapture lost growth by forcing consumers to choose between Belvedere's "downtown" appeal and Grey Goose's "uptown" appeal according to the ad creative director Berlin Cameron.

CCE Goes Green; Employs Hybrid-Electric Delivery Trucks

Coca-Cola Enterprises has drawn praise from NYC Mayor Michael Bloomberg for employing five new hybrid-electric delivery trucks at the company’s Bronx warehouse. The company also reported that it plans to ramp-up the use of the hybrid-electric delivery trucks to 120 across its US fleet by the end of 2007.

Hybrid trucks, while costing 25% more than the regular trucks, use 32% less fuel and eliminate emissions when idling or travelling less than 30mph, which is ideal for city delivery systems. The use of hybrid-electric delivery trucks, in our opinion, is just the beginning and one of the various alternatives the bottlers will start employing to counter the rapid increase in energy costs, which has added to input cost inflation.

Other Company/Management News

- Anheuser Busch announced that Mark Bobak, group VP and chief legal officer is resigning to start his own company by the end of the year. Gary Rutledge will take over as chief legal officer while keeping his current responsibilities as VP of corporate labor relations and the head of A-B's litigation practice.

- Jones Soda President and CEO Peter van Stolk will step down at the end of the year as announced earlier this year. Board members Scott Bedbury and Steve Jones will take on the interim positions of chairman and CEO respectively while the company conducts a search for a new CEO.

- Heineken announced on 12/5 that it plans to acquire the Rodic Brewery, a state of the art 1.5 mil HL brewery in Novi Sad, Serbia. The acquired brands include MB Premium, MB Pils, and Master with estimated total sales of 500k HL in 2007. Heineken estimates that the Serbian beer market will grow between 3-5% in 2007 and the total size of the market is 5.6mil HL. Heineken becomes the number 3 player in the Serbian market with the purchase of the Rodic Brewery.

- PepsiCo, on 11/29, raised $1bn through the sale of five year senior secured notes due 2013. The company plans to utilize the amount for general corporate purposes. The issue has been rated A+, AA- by Standard & Poor’s and Fitch respectively.

- Diageo reported on 12/4 that it will consider brewing Guinness stout in India after a positive response to initial marketing of the brand and expects stout to capture at least 7% of the Indian beer market. The company, according to Just-drinks.com, may start brewing Guinness in India to cut the price of the beer there and raise its market share and is in discussions with several Indian breweries.

- Coca-Cola Company, the world's largest soft-drink maker, reported on 12/2 that it plans to invest $250 million in India to expand capacity. The company plans to invest the amount over the next three years in an attempt to capture share in one of the world’s fastest growing beverage market.

- A-B, on 11/28, filed an 8-K with the SEC, detailing the stock option grants under its 2007 incentive plan for its executives. Per the filing, August Busch IV, President and CEO, is receiving roughly 773,532 stock option awards, W. Randolph Baker, CFO and Mark Bobak, Chief Legal Officer, are each receiving 212,022 stock options awards, Doug Muhleman Vice President of Brewing Operations and Technology is receiving 196,850 stock options awards, and Mike Owens Vice President of Business Operations is receiving 176,141 stock option awards.

- Asahi Breweries, Japan's second-biggest brewer, plans to increase beer prices for the first time in 17 years to cover the rising cost of brewing malt, aluminum cans and other raw materials. Per the company, the price of a range of its beers will rise on March 1 and the retail price of its products may rise by up to 5 percent as a result of the increase. Asahi joins its larger rival Kirin Holdings, which last month announced a price increase. The price increases come at a time when the brewers are battling higher costs and falling beer sales in Japan as the population ages and younger consumers switch to wine and other beverages.

New Products/Packaging

- WSJ reported on 12/4 that Nestle USA, in a move that could advance the company's foray into RTD beverages, plans to start selling two types of Jamba Juice drinks at grocery stores in eight western U.S. during 2Q08 and later expand to other states and into new channels, such as convenience stores. For Jamba Inc., operator of the Jamba Juice chain, the licensing deal will mark the juice brand's first foray beyond its retail stores. Nestle USA will manufacture and distribute the drinks and may eventually sell Jamba Juice beverages in other countries, where the company now mostly sells powdered drinks.

- Anheuser-Busch has reported that it plans to participate in the fast growing Vodka category by selling Purus, an organic Italian vodka made from wheat, in U.S. Northeast markets. Per the company the 80-proof vodka would be the first organic Italian wheat vodka available in the U.S. and will be sold in high-end bars, restaurants and specialty grocery and liquor stores. According to the Distilled Spirits Council of the U.S., Vodka, with an 11% gain, was the fastest growing spirit category last year.

- Red Bull North America (RBNA), based on the strong response to the athlete-endorsed "collectible" 16-oz cans, plans to make the package size a permanent complement to 8- and 12-oz packs and compete with the core 16-oz size of rivals Monster and Rockstar. RBNA plans to keep the size out there, but minus athletes and in new configuration that's been described as "super slim" can.

Recap of Published Notes by our Citi Beverage Colleagues:

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KO: Muhtar Kent to Succeed Neville Isdell as CEO - Announcement Expected

- **Isdell's Retirement Not a Surprise** — Coca-Cola today announced that President and COO Muhtar Kent will succeed Mr. Isdell as the company's CEO on July 1, 2008. Mr. Isdell remains the Chairman of the Board until the April 2009 annual shareholder meeting.

- **Kent Positive for the Company** — Muhtar Kent has been a positive change for the company since taking the COO role in December. We don't expect major strategic changes as Kent has been a major driver in the notable shift in the company's strategic direction which has included the company's willingness to venture outside the company's own strategic brands for growth.

- **Kent Has Strong Relationships Both Within and Outside the Corporation** — Kent has deep roots in TCCC, returning to the company in 2005 as the COO of North Asia, Eurasia and Middle East Group and was named president, Coca-Cola International in January 2006. Recently, he has been integral in improving KO's relationships with its bottlers which we believe is an important part of KO's recovery story.

For more details please refer to the December 6th note entitled: "Muhtar Kent to Succeed Neville Isdell as CEO - Announcement Expected".

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Anheuser-Busch: The Clock is Ticking for Global Consolidation – Analyst Meeting Reinforces Our View that A-B Needs a Partner

- **2008 Update** — A-B hosted its annual regional investor meeting highlighting its strategy for the upcoming year. Overall, we believe that the company is taking the appropriate steps re-focusing efforts on driving growth through the core brands, but we are not convinced that these initiatives are enough to accelerate growth.

- **Focus on the Core Brands** — A-B will refocus its efforts on distinct marketing messages around its core brands – Budweiser, Bud Light, Michelob, and Michelob Ultra. The highest priority will be given to accelerating growth in Bud Light through increased media marketing and brand positioning on the product's refreshment and drinkability.

- **Favorable Pricing Environment, but Commodity Prices Remain Elevated** — Agricultural prices are expected to remain elevated in the upcoming year, however productivity initiatives such as Project Blue Ocean and a favorable pricing environment should provide some cover for COGS headwinds. Guidance given today was inline with what was communicated during the 3Q earnings call and we are therefore maintaining our estimates.

- **Like the Sense of Urgency, but Not a Dramatic Shift in Strategy** – We are encouraged by management's sense of urgency in focusing on the core; however the shift in consumer preferences favoring other alcohol beverage and beer categories and the increasing competitive landscape from MillerCoors will pose near-term challenges.

- **Combination with a Global Player Imminent** – We believe that A-B needs a more dramatic change such as a combination with a global player to compete more effectively with larger international brewers. We maintain our Hold rating and $53 target price.

For more details please refer to the November 30th note entitled: "Anheuser-Busch: The Clock is Ticking for Global Consolidation – Analyst Meeting Reinforces Our View that A-B Needs a Partner".

Britvic: Three Reasons To Be Positive

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Citigroup Investment Research European Beverage Analyst Philip Morrisey published a note on December 3rd on Britvic. Below are highlights from Mr. Morrisey's note:

- **Confidence in Top-Line Growth** — In FY07 Britvic demonstrated market outperforming growth rates and impressive resilience despite the poor summer weather. Despite potential pressure from licensed on-trade contract renewals, we anticipate a bounce-back in FY08 to account for a more 'normal' summer and remain upbeat on top-line prospects.

- **Potential Upside from Britvic Ireland** — Management remains "encouraged" by the performance of the acquired CCSD business and the integration is progressing well. We continue to believe the guided €14m synergies will prove conservative in the medium term: J20 has already been launched in Ireland (and is not part of guidance) and the lower tax benefit is apparent

(FY08 guidance: 25%). However, we believe potential benefits from a transition to SAP are more likely to be FY09-10 weighted.

- **Emphasising Acquisition Potential** — Management has stated it has deal financing capacity of £100-200m (based on a 'stretch' target 4x net debt / EBITDA) and that there are no plans to organically enter new markets in its International division. In our view, such statements are indicative of an acquirer's mindset but we view this as a medium-term target.

- **Buy (1M) With a New 455p Target Price** — The main driver of our target price uplift is the impact of rolling forward our DCF. We remain buyers based on: (1) improving business fundamentals; (2) the potential upside from Britvic Ireland; and (3) the fact that we increasingly view Britvic as an acquirer.

For more details please refer to the December 3rd note entitled: "Britvic: Three Reasons To Be Positive".

US Spirits: Spirits Growth Falling

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Citigroup Investment Research European Beverage Analyst Philip Morrisey published a note on December 3rd, enumerating the results of ACNielsen four weeks' data on U.S. Spirits. Below are highlights from Mr. Morrisey's note:

- **Third month of slower US spirits sales growth** — The latest AC Nielsen data covering the four weeks to 17 November 2007 reveals the third month of slower US spirits sales growth (+3.3% vs +4.2% prior period), reflecting stable volume growth (+1.7% vs +1.7% prior period) but lower price/mix growth (+1.6% vs +2.4% prior period).

- **Latest data excludes Thanksgiving** — Though too early to call this a long-term slowdown, if further market weakening were to appear in the next dataset which covers the important Thanksgiving period (due 31 December 2007), this could be indicative of a more significant consumer slowdown.

- **Diageo lags the market again** — Sales growth of +2.4% (vs +3.7% prior period) reflects slightly better volume growth of 0.4% (vs +0.1% prior period), but slower price/mix growth (+1.9% vs +3.6% prior period) equating to a value share loss of 20bps. Notably, Johnnie Walker Black sales declined by 11.5% (vs 3.3% prior period) possibly attributable to tougher comps.

- **Pernod slows markedly** — Sales growth of +2.1% (vs +3.9% prior period) consisted of lower volume growth (+0.5% vs +2.9% prior period) but a higher price/mix (+1.6% vs +0.9% prior period). Stoli (+7.6% vs +6.3% prior period) improved, but Beefeater (-11.3% vs +3.5% prior period), Kahlua (-5.8% vs -1.7% prior period) and Martell (-16.6% vs -18.6% prior period) declined.

For more details please refer to the December 3rd note entitled: "US Spirits: Spirits Growth Falling".

Consuming Thoughts: Gauging grains: exposure and impact across the sector

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Citigroup Investment Research Latin American Consumer Research team published a note on November 30th on the impact of Grain input cost increases on the profitability of the Consumer companies. Below are highlights from the note:

- **Gauging grains** — In this edition of Consuming Thoughts we examine grain inputs and the impact that changes in grain supply and demand could have on profitability for consumer companies in our coverage universe. We also provide updates on news, weather, data and metrics that inform our views.

- **Impact of increasing grain prices** —Many companies we cover rely heavily on soft commodities such as wheat, barley, soy and corn. Given price spikes in each of these grains, we compare how potential fluctuations in grain prices would affect 13 LatAm consumer companies. By company we examine: grain input breakdown; profit sensitivity to changes in key grain prices; and hedging strategies.

- **Sensitivity analysis** — We provide tables showing impact on gross margin and EBITDA given varying changes in key grain prices. Bachoco, Gruma, Sadia and Perdigão appear to be the companies most impacted by grain price movements due to heavy use of corn and/or soybean. Brewers have been impacted to varying degrees by higher barley prices, pressure from which should continue in 2008. Brazilian beef producers Marfrig, Minerva and JBS are unaffected by grain prices.

- **Hedging to offset grains?** — We highlight companies' different hedging strategies to offset potential volatility in grain prices, including a table detailing supply and/or price locks for key inputs.

- **News and views** — Banco Walmex opens its doors; Gigante…close to a sale?; KOF and KO tender offer for Jugos del Valle concludes successfully; TAP expands JV with Modelo; Russia removes restrictions on meat imports.

- **Weather watch** — Oct '07 weather was milder in Brasilia and Mexico City, showing fewer instances of rain when compared to last year. Cancun showed cooler temperatures this October. Mexican consumer companies were largely unaffected by the very tragic November flooding in Tabasco which covered ~80% of the state.

For more details please refer to the November 30 note entitled: "Consuming Thoughts: Gauging grains: exposure and impact across the sector".

Coca-Cola Amatil : Trading Update: Keeping the Fizz

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Citigroup Investment Research Australian Beverage analyst Andy Bowley published a note on December 5th on Coca-Cola Amatil's recent trading update. Below are highlights from the note:

- **No Major Surprises** - Coca-Cola Amatil's much anticipated trading update while positive on balance yielded few surprises. Management is guiding to 10%-11% NPAT growth for FY07, in-line with consensus estimates. CCL also announced an A$170m off-market buy-back and the acquisition of the boutique Bluetongue brewery. Our estimates remain broadly unchanged.

- **COGS Over-recovery Remains A Key Driver** - COGS guidance for FY08E of 3%-4% compares to our previous flat expectation. However, as higher COGS will also mean higher pricing, gross margins will still rise. We continue to estimate that beverages related EBIT will grow 15%-16% in FY08E.

- **Strong H2 Trading** - The key regions of Australia and New Zealand have both generated "strong revenue and profit growth in the second half". SPC continues to be negatively impacted by the drought but still expects to achieve modest earnings growth in H2.

- **Beer Strategy Tapping Up** - The acquisition of Bluetongue, while small, offers the Pacific Beverages JV the strategic benefits of an existing premium Australian brand footprint, immediate brewing capacity and volume momentum. However, we still expect the JV to build a greenfield brewery in order to satisfy longer term production requirements.

- **Retain Buy Rating** - CCL remains our preferred play in the Australian beverages sector. We expect earnings growth will accelerate through FY08E as the COGS over-recovery theme begins to emerge.

For more details please refer to the December 5th note entitled: “Coca-Cola Amatil : Trading Update: Keeping the Fizz”.

Figure 4. Global Beverage Valuations

United States — Updated: 10-Dec-07

	Ticker	Rating	Trading Currency	Market Cap (bn)	Share Price	YTD Performance	Price Target	Exp'd Total Return	Dividend Yield	Reporting Currency	Year End	EPS 2007	EPS 2008	EPS 2009	EPS Growth '08-'07	EPS Growth '09-'08	P/E 2007	P/E 2008	P/E 2009	adj. EV/EBITDA 2007	adj. EV/EBITDA 2008	adj. EV/EBITDA 2009	FCF Yield 2007	FCF Yield 2008	FCF Yield 2009
Concentrate Manufacturers																									
The Coca-Cola Company	KO.N	1M	USD	145.9	63.15	30.9%	67.00	8.3%	2.2%	USD	31-Dec	2.70	3.05	3.41	13.1%	11.7%	23.4x	20.7x	18.5x	16.3x	14.6x	13.3x	5.5%	3.4%	4.6%
PepsiCo	PEP.N	1L	USD	123.9	77.00	23.1%	77.00	1.8%	1.8%	USD	31-Dec	3.37	3.73	4.13	10.6%	10.7%	22.8x	20.6x	18.6x	14.2x	13.3x	12.4x	4.1%	4.9%	5.1%
Bottlers																									
Coca Cola Enterprises	CCE.N	1H	USD	12.3	25.43	24.5%	31.00	22.8%	0.9%	USD	31-Dec	1.33	1.47	1.76	10.8%	20.0%	19.2x	17.3x	14.4x	8.6x	8.0x	7.2x	7.1%	7.5%	8.8%
Pepsi Bottling Group	PBG.N	2H	USD	9.2	41.25	33.5%	46.00	12.8%	1.3%	USD	31-Dec	2.18	2.40	2.63	10.1%	9.6%	19.0x	17.2x	15.7x	8.0x	7.6x	7.2x	6.2%	7.0%	7.6%
Pepsi Americas	PAS.N	2H	USD	4.5	34.64	65.1%	35.00	2.5%	1.5%	USD	31-Dec	1.65	1.82	2.02	10.2%	10.9%	20.9x	19.0x	17.1x	9.7x	8.6x	8.1x	4.7%	5.1%	5.1%
Alcohol Beverages																									
Anheuser-Busch Companies Inc	BUD.N	2L	USD	38.7	52.79	7.3%	53.00	2.8%	2.4%	USD	31-Dec	2.84	3.08	3.35	8.5%	8.9%	18.6x	17.2x	15.8x	8.8x	8.7x	8.5x	4.9%	5.5%	5.6%
Constellation Brands Inc	STZ.N	2H	USD	4.6	23.92	-17.6%	25.00	4.5%	0.0%	USD	28-Feb	1.38	1.75	1.99	26.9%	13.8%	17.3x	13.7x	12.0x	6.9x	4.9x	4.6x	4.4%	4.4%	5.4%
Molson Coors Brewing Co	TAP.N	2H	USD	10.1	55.48	45.2%	56.00	2.1%	1.2%	USD	31-Dec	2.72	3.01	3.64	10.3%	21.1%	20.4x	18.5x	15.2x	11.5x	10.8x	10.1x	2.0%	2.5%	3.6%

Europe

	Ticker	Rating	Trading Currency	Market Cap (bn)	Share Price	YTD Performance	Price Target	Exp'd Total Return	Dividend Yield	Reporting Currency	Year End	EPS 2007	EPS 2008	EPS 2009	EPS Growth '08-'07	EPS Growth '09-'08	P/E 2007	P/E 2008	P/E 2009	adj. EV/EBITDA 2007	adj. EV/EBITDA 2008	adj. EV/EBITDA 2009	FCF Yield 2007	FCF Yield 2008	FCF Yield 2009
C&C Group	GCC.I	2M	EUR	1.3	4.20	-68.8%	5.00	25.5%	6.4%	EUR	28-Feb	0.33	0.38	0.40	14.9%	6.7%	12.8x	11.1x	10.4x	11.5x	10.7x	10.6x	2.1%	7.9%	8.1%
Carlsberg	CARLb.CO	2M	DKK	49.2	661.00	17.8%	735.00	12.2%	1.0%	DKK	31-Dec	37.59	45.13	50.88	20.0%	12.8%	17.6x	14.6x	13.0x	8.3x	7.4x	6.8x	1.8%	4.5%	6.3%
Davide Campari	CPRI.MI	1L	EUR	1.9	6.70	-10.9%	8.10	22.4%	1.5%	EUR	31-Dec	0.44	0.49	0.52	9.6%	7.3%	15.1x	13.8x	12.8x	10.3x	9.3x	8.3x	6.6%	7.0%	7.4%
Diageo	DGE.L	2L	GBP	27.7	10.66	6.3%	10.40	0.8%	3.2%	GBP	30-Jun	0.59	0.67	0.75	13.4%	11.8%	17.9x	15.8x	14.1x	12.8x	12.0x	11.3x	4.9%	5.4%	5.9%
Heineken NV	HEIN.AS	1L	EUR	22.0	44.94	24.7%	52.00	17.4%	1.7%	EUR	31-Dec	2.38	2.73	2.99	14.4%	9.8%	18.9x	16.5x	15.0x	9.8x	8.6x	7.8x	5.6%	6.4%	7.2%
Inbev	INTB.BR	1M	EUR	35.3	57.50	15.1%	67.00	18.0%	1.5%	EUR	31-Dec	2.85	3.39	4.00	19.2%	18.1%	20.2x	17.0x	14.4x	11.2x	10.1x	9.2x	5.3%	6.2%	7.2%
Pernod Ricard	PERP.PA	1L	EUR	16.6	151.39	4.4%	165.00	10.8%	1.8%	EUR	30-Jun	8.52	9.95	11.49	16.7%	15.5%	17.8x	15.2x	13.2x	14.4x	12.8x	11.3x	4.7%	5.5%	7.0%
SABMiller	SAB.L	1M	GBP	20.4	13.56	15.4%	14.50	9.0%	2.1%	USD	31-Mar	1.38	1.55	1.83	12.0%	18.6%	20.0x	17.8x	15.0x	10.7x	9.2x	8.7x	4.8%	7.2%	10.2%
Scottish & Newcastle	SCTN.L	2M	GBP	7.0	7.43	32.8%	7.75	7.3%	3.0%	GBP	31-Dec	0.37	0.39	0.43	5.6%	11.4%	20.2x	19.2x	17.2x	16.9x	16.6x	15.6x	2.5%	2.4%	2.8%

Other International Beverage Alcohol Companies

	Ticker	Rating	Trading Currency	Market Cap (bn)	Share Price	YTD Performance	Price Target	Exp'd Total Return	Dividend Yield	Reporting Currency	Year End	EPS 2007	EPS 2008	EPS 2009	EPS Growth '08-'07	EPS Growth '09-'08	P/E 2007	P/E 2008	P/E 2009	adj. EV/EBITDA 2007	adj. EV/EBITDA 2008	adj. EV/EBITDA 2009	FCF Yield 2007	FCF Yield 2008	FCF Yield 2009
AmBev*	ABV.N	1M	USD	47.3	76.14	56.0%	88.00	18.1%	2.5%	USD	31-Dec	2.09	2.87	3.35	37.3%	16.6%	23.5x	17.6x	15.6x	10.5x	9.0x	8.0x	4.6%	6.4%	6.7%
Compania Cervecerias Unidas	CU.N	3L	USD	2.4	37.30	25.6%	33.50	-7.3%	2.9%	USD	31-Dec	2.00	2.21	2.35	10.2%	6.6%	18.6x	16.9x	15.9x	10.0x	9.3x	8.6x	3.5%	4.7%	6.5%
FEMSA	FMX.N	1M	USD	12.1	33.77	-12.5%	50.00	49.5%	1.4%	USD	31-Dec	2.03	2.40	2.70	18.0%	12.6%	16.6x	14.1x	12.5x	6.7x	6.1x	5.6x	6.5%	5.5%	6.5%
Foster's Group	FGL.AX	2M	AUD	12.3	6.40	-7.5%	6.35	3.2%	4.0%	AUD	30-Jun	0.37	0.41	0.45	12.2%	10.8%	17.5x	15.6x	14.1x	11.3x	10.4x	9.5x	5.1%	5.6%	6.2%
Grupo Modelo	GMODELOC.MX	2L	USD	15.1	4.65	-16.0%	5.70	26.6%	4.1%	USD	31-Dec	0.31	0.34	0.38	9.1%	10.8%	14.9x	13.6x	12.3x	5.3x	4.7x	4.2x	10.1%	10.6%	11.7%
Lion Nathan Ltd	LNN.AX	2L	AUD	5.0	9.30	14.0%	9.25	4.1%	4.6%	AUD	30-Sep	0.50	0.56	0.60	13.5%	7.4%	18.8x	16.5x	15.4x	10.6x	9.9x	9.5x	1.0%	4.7%	5.8%

International Bottlers

	RIC	Rating	Trading Currency	Market Cap (bn)	Share Price	YTD Performance	Price Target	Exp'd Total Return	Dividend Yield	Reporting Currency	Year End	EPS 2007	EPS 2008	EPS 2009	EPS Growth '08-'07	EPS Growth '09-'08	P/E 2007	P/E 2008	P/E 2009	adj. EV/EBITDA 2007	adj. EV/EBITDA 2008	adj. EV/EBITDA 2009	FCF Yield 2007	FCF Yield 2008	FCF Yield 2009
Britvic	BVIC.L	1M	GBP	0.7	3.29	11.9%	4.55	41.8%	3.5%	GBP	30-Sep	0.24	0.30	0.33	25.9%	9.0%	13.8x	10.9x	10.0x	7.7x	6.8x	6.3x	4.8%	8.7%	9.5%
Coca-Cola Amatil Ltd	CCL.AX	1M	AUD	7.9	10.44	34.5%	11.35	12.2%	3.5%	AUD	31-Dec	0.48	0.56	0.64	15.5%	14.7%	21.5x	18.7x	16.3x	11.5x	10.7x	9.6x	1.0%	3.5%	4.2%
Coca-Cola Hellenic	HLB.AT	2M	EUR	2.0	29.06	47.3%	28.00	-2.7%	0.9%	EUR	31-Dec	1.28	1.49	1.71	16.5%	15.0%	22.8x	19.6x	17.0x	3.7x	3.2x	2.6x	13.4%	17.9%	22.9%
Coca-Cola Femsa	KOF.N	1M	USD	8.4	45.53	19.8%	55.00	21.7%	0.9%	USD	31-Dec	3.18	3.50	3.98	10.0%	13.9%	14.3x	13.0x	11.4x	7.3x	6.2x	5.3x	7.4%	9.4%	11.0%
Embotelladora Andina	AKOa.N	3M	USD	2.1	16.75	8.1%	18.00	13.8%	6.4%	USD	31-Dec	1.37	1.79	2.06	30.5%	15.3%	12.2x	9.4x	8.1x	7.5x	7.6x	7.0x	13.3%	9.1%	10.5%
Embotelladoras Arca	ARCA.MX	2M	MXN	29.4	36.45	-17.2%	43.00	23.8%	5.8%	MXN	31-Dec	3.20	3.62	3.89	13.3%	7.3%	11.4x	10.1x	9.4x	6.6x	5.7x	5.2x	5.5%	8.1%	9.0%
Grupo Continental SA	CONTAL.MX	2M	MXN	19.1	25.50	10.9%	25.00	3.1%	5.0%	MXN	31-Dec	2.38	2.50	2.64	4.9%	5.7%	10.7x	10.2x	9.7x	6.4x	5.2x	4.9x	6.3%	7.2%	7.7%
S&P 500	**.GSPC**				**1,504.66**	**6.1%**	**1,600.00**	**6.3%**				**82.00**	**88.00**		**7.3%**		**18.3x**	**17.1x**							

S&P500 projections based on Citi Economic and Market Analysis group forecasts.
Projections for ex. USA stocks are based on the forecasts of Philip Morrisey (UK), Mauro Baragiola (Europe), Andy Bowley (Austrailia) & Celso W. Sanchez (Lat. America)

* Price to Cash EPS shown for AmBev

Source: Citi Investment Research

Appendix A-1

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