



Good Thoughts,  
 Good Words,  
 Good Deeds,  
 Good Habits,  
 Good Character,



***Great Destiny!***

***Join Us...***

National Beverage Corp.  
 2002 Annual Report





# National Beverage Corp.





The Choice of

# Choices!





Isn't it wonderful to bring  
happiness and fond  
memories to someone?

(Feels great just  
**thinking** about it!)



# \* Good Thoughts \*

Certainly, no one knows what kind of thoughts are in another's mind...but kindness and charity cannot exist without first thinking **good thoughts**. So...having the discipline and tenacity to manage one's mind is a prerequisite for getting superior results...and as Team National knows—*"Why accept good when excellent is available!"*

*Get Well...Happy Birthday...Great Game... Cheers... Welcome Home...Enjoy the Picnic... Happy Holidays...Congratulations...* are just a few **good thoughts** that our wonderful soft drinks are associated with...and for good reason. **Good thoughts** went into giving them the heritage, the delicious taste and always... the great value!

- G.T.** ◆ Excellent growth capacity...  
debt/equity ratio is .09
- G.T.** ◆ Five-year compounded EPS growth  
rate of 9.4%
- G.T.** ◆ 16 beverage plants strategically  
located in the USA

Our thoughts are to be...

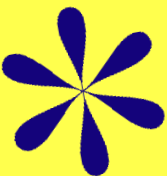
*The Very Best At What We Do...Always!*



# *Air* Facts



- ◆ Consistent and stable business strategy
- ◆ Single line of business—beverage
- ◆ Fun consumer products
- ◆ Respected, proven philosophy
- ◆ Excellent financial position
- ◆ Experienced, committed management team
- ◆ Consistent and certifiable operating results
- ◆ Over a century of brand awareness







I'll tell you how I did  
it...but I'm sure  
you'll do it **better—  
smarter—faster!**







# Good Words



*"What a great job!"*

*"We're so glad you're part of our team!"*

Being able to communicate our good thoughts into **good words**...then creating the positive atmosphere in which to produce great products...is what we do every day at National Beverage. Whether we are developing exciting new flavors, inspiring innovative ideas or praising our team members for a job well done, **good words** are essential in motivating the human spirit.

- G.W.** ◆ Brand growth was almost twice that of the industry
- G.W.** ◆ Net working capital exceeded debt by \$59.2 million
- G.W.** ◆ Revenues per employee exceeded the industry by 41%

National Beverage is proud to add fun and excitement to family traditions celebrated throughout the year. You can count on us to continue producing the finest products...which in turn generates smiles and **good words** all across America.

# FYI...

## United States

## Total World

 Total Population

284.8 million

6.1 billion

Annual Soft Drink  
Consumption

10 billion cases

31.7 billion cases

8 Oz. Servings  
Per Person Per Year

843—  
more than 2  
servings per day

125—  
less than 1 serving  
every 3 days

 Flavor Share

40%

45%

Diet Soft Drink Share

25%

13%





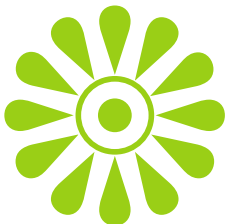
Crystal Bay





True caring and  
kindness,  
plus a loving heart...  
is genuine  
**compassion!**

Positively!





# Good Deeds



At National Beverage, our **good deeds** show our genuine concern for those in need. Since 1994, *St. Nick's* holiday promotion dedicates a portion of its proceeds to support St. Jude Children's Research Hospital and City of Hope National Medical Center in their treatment of cancer and other life-threatening diseases of the precious children for which they care. Reaching out and giving back is an important part of National Beverage family values.

- G.D.** ◆ Payroll and benefits exceeded \$80 million
- G.D.** ◆ No restructuring charges...ever!
- G.D.** ◆ 16 years of increased employee benefits

As the 'ole saying goes...'*charity begins at home*'...and to this point, our daily **good deeds** begin by growing people, with special caring and mentoring...and consistently providing challenging opportunities.



# St. Jude Children's Research Hospital

ALSAC • Danny Thomas, Founder

Dear National Beverage,  
Hi I'm Nick and I'm a  
patient at St. Jude. I'm 8  
years old and I had cancer.  
Thank you for helping  
the kids of St. Jude.  
You are the best!

Thanks,  
Nick











Sound principles  
make life's journey...  
a smoother road...  
paved with **Pride!**



# \* Good Habits \*

If one compares results using the highest standard possible and has the ability to modify their actions to achieve these results...then they have what it takes to do it again and again and again.

**Good habits** are repetitious thoughts and actions that are routinely used to get the results envisioned.

Team National does not believe that practice makes perfect...they believe that perfect practice makes *perfect*...especially if you are filling products at the rate of 1,500 per minute.

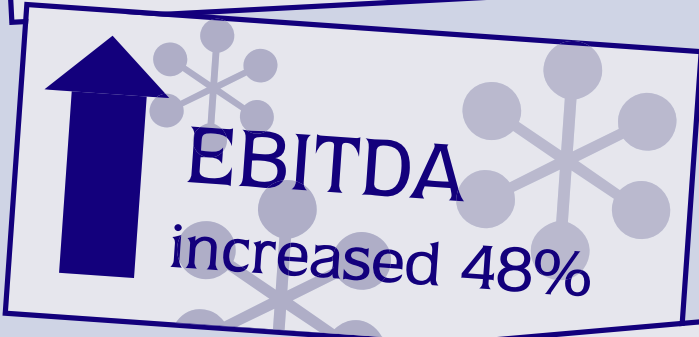
- G.H.** ◆ Net sales grew to \$502.8 million
- G.H.** ◆ EBITDA was \$39.4 million
- G.H.** ◆ EPS climbed to \$.91 per share

Great philosophy, great people, great products, great income statement, great balance sheet...now, we apply these to much opportunity, and challenge ourselves to outwit, outsell and out-innovate our competition.

Well, we call that a ~~good~~ **great habit**.

# Dynamics

Over the past seven years:



Investor cash flow = net income plus depreciation and amortization minus net capital expenditures

EBITDA = income before income taxes plus interest expense, depreciation and amortization



Ethics—Scruples—Morals  
God—Country—Family  
Faith—Trust—Honor...  
***The Right Stuff!***



# \* Good Character \*

The ultimate is to put it all together...thoughts, words, deeds, habits...and produce, through sound philosophy and high standards... a **good character**.

In a way, every package, every flavor and every soft drink is a **good character** within itself...and to make them *great characters*, we need consumers who demand more than just a thirst quencher. Now, add a maturing process (like 100 years or more) and you can create some great soft drink characters.

- G.C.** ◆ Shareholders' equity grew to \$125.7 million
- G.C.** ◆ Operating income reached \$26.8 million
- G.C.** ◆ Net income increased to \$16.6 million

Our strong commitment to excellence and quality, plus these great soft drinks in our family of beverages...*Our Destiny!*



# Value Stats

Price/  
Earnings  
Ratio

## Stock Price

\$46.15

Coca-Cola Bottling Co. Consol.

20.1x

\$29.62

Pepsi Bottling Group

24.5x

\$21.37

Coca-Cola Enterprises

49.8x

\$16.48

Cott Corp.

24.6x

\$14.34

PepsiAmericas

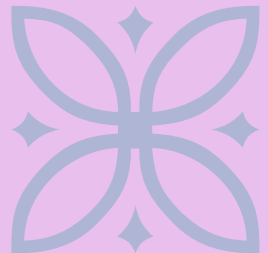
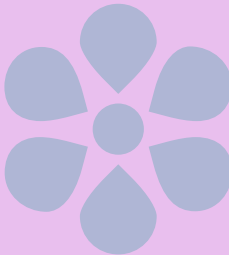
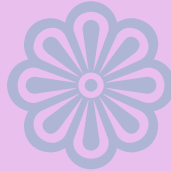
18.6x

**\$11.85**

National Beverage

13.6x

Based on closing stock prices as of August 16, 2002.  
Source: *Multex Investor*









Good Deeds



Good Character



Good Words



Good Thoughts



Faygo

LaCroix



Great Destiny!!



Everfresh



Good Habits







## 'Good Bytes'

### FY2002...**Breaking News!**

If I could define a 'feeling'...one that I experienced more than any other throughout most of FY2002, it was that 'pain-in-the-gut' anxiety when reading or hearing...**Breaking News**. These words have conditioned us to feel bad, stressed and to expect more ugliness!

Time to turn off the bad—and tune in the **good**.

**Personally speaking**, if possible, my goals in the future would include buying a newspaper publishing company, along with a TV station, that only carries good programming and reports all good news. You could then be watching a very nice program and suddenly flashing across the screen are the words...'**Good Bytes**.' Wow...one would begin to **perk up** and instantly become relaxed (again conditioned). "Tranquilized with goodness again," would be our thoughts as we smiled. Channel 00 on TV and the back page of the newspaper would be used to cover all the other 'stuff'—Better, right?

This annual report was designed to show the real personality of Team National and portray the unique character of our Company. If detailed financial information and other data on our business are of interest...everything is contained within this annual report. Should anyone want to know if the officers of the Company and I have signed statements swearing that all of the facts that we are aware of are truly reflected, the answer is yes—16 times in 16 years...every year, so help me.

So...from here on, I am going to share some...'**Good Bytes**.'

National Beverage is a multi-system distribution Company that manufactures and produces all of the beverages that you see contained herein. We also market and sell everything that is manufactured.

From the original thoughts that our 'idea' people create to the 'secret' formulas of our chemists, and then on to our brand managers' analysis with focus groups...Team National does some things no other organization in the world does.

First, members of Team National are handpicked by the handpicked ones before them...and each is cared for in a very special way. They are mentored with a motivating philosophy that creates, within each one, an extreme amount of passion for what they do. We market, sell and manufacture Shasta, Faygo, Everfresh, LaCroix, Ritz, Ohana, Crystal Bay, Big Shot and Mr. Pure beverages. No other can make this statement.

This is, no doubt, one very large—could even be described as a '**Huge...Good Byte!**'

Second, our marketing and sales people are phenomenal. Recently, during a severe wind storm in San Francisco...the siding of a historic skyscraper was blown away...dramatically revealing a 1950's Shasta painting covering the entire side of the building. The media quickly dubbed this '**miracle art**.' Our innovative marketing team immediately developed a soft drink label, and the nostalgic Shasta 12oz. package you see in this annual report was...**reborn**. Shasta sales are growing significantly and this 1889 brand, together with our 1907 Faygo brand, remain our flagships.

I would also say this is a '**Big...Good Byte!**'



Third, our arsenal to equip ourselves and compete in the marketplace is the finest to be found. Our Company has a mature and seasoned management team...a rare combination of youthful energy and dynamics...with titanium stability and valued wisdom.

National Beverage has a strong balance sheet with tremendous leverage possibilities. In the current economic atmosphere, this is our second most powerful asset. While interest rates may be at their lowest, credit covenants are tough. Our robust cash position and cash generating capability are offsets to those rugged bank requirements. Our prowess for growth opportunities has never been keener. We are on the 'scent' as they say!

Our single most powerful asset is our **Philosophy, Passion, Smarts Quotient**. We have the philosophy that defines **why** we do things...the passion that drives **how** we do things...and the smarts (knowledge/experience) that dictates **when** we do things. Other organizations may make similar statements, but remember, we are a player in an industry that is controlled by giants and yet, year after year, increased revenues and profits are reflected with NO financial engineering... **NONE!** No restructuring charges **ever** since the Company was founded. This is quite a statement to make...regardless of size; after all, we were operating in the same conditions everyone else was who suffered reduced revenues or heavy losses...and worse, bad acquisition write-offs! The foregoing statement is very **profound** when one understands that the last six operations we acquired were companies that needed significant **PPS Quotient**, in that, they were all turnaround situations.

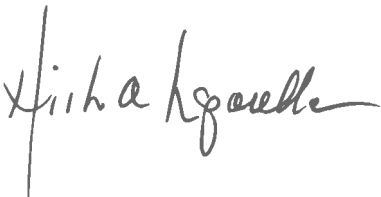
This is a **'Priceless...Good Byte!'**

So...now the future...

One could think that if we play with the giants and do better than okay in that competitive atmosphere...and our fun-flavored, great-tasting soft drinks are growing in the face of declining colas...AND we continue to create dynamics when employing our winning philosophy... we have a **Great Destiny!** Surely, some may ponder and question this last statement...but it is endowed with the same smart logic we must instinctively use...to live our lives safe and happy.

Our goal continues to be...**'The Best At What We Do...Always!'**

To our faithful shareholders, our great board members, our customers, suppliers and loyal consumers...and you—each and every one of you, **Team National**, thank you all for being a part of this wonderful Company!



Nick A. Caporella  
Chairman and Chief Executive Officer

P.S. **'Hang on to your principles...  
for they bond to the soles of your feet!'**



## Financial Review

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## Selected Financial Data

|                                                 | Fiscal Year Ended |                   |                   |                |                |
|-------------------------------------------------|-------------------|-------------------|-------------------|----------------|----------------|
|                                                 | April 27,<br>2002 | April 28,<br>2001 | April 29,<br>2000 | May 1,<br>1999 | May 2,<br>1998 |
| <i>(In thousands, except per share amounts)</i> |                   |                   |                   |                |                |
| <b>Statement of Income Data:</b>                |                   |                   |                   |                |                |
| Net sales                                       | \$502,778         | \$480,415         | \$426,269         | \$402,108      | \$400,749      |
| Cost of sales                                   | 339,041           | 323,743           | 286,245           | 268,844        | 275,083        |
| Gross profit                                    | 163,737           | 156,672           | 140,024           | 133,264        | 125,666        |
| Selling, general and administrative expenses    | 136,925           | 131,852           | 120,104           | 110,246        | 102,195        |
| Interest expense                                | 857               | 2,110             | 2,789             | 3,304          | 4,175          |
| Other income—net                                | 867               | 1,506             | 4,754             | 1,323          | 1,633          |
| Income before income taxes                      | 26,822            | 24,216            | 21,885            | 21,037         | 20,929         |
| Provision for income taxes                      | 10,270            | 9,236             | 8,302             | 7,868          | 7,827          |
| Net income                                      | \$ 16,552         | \$ 14,980         | \$ 13,583         | \$ 13,169      | \$ 13,102      |
| Net income per share <sup>(1)</sup> :           |                   |                   |                   |                |                |
| Basic                                           | \$ .91            | \$ .82            | \$ .74            | \$ .71         | \$ .71         |
| Diluted                                         | .87               | .80               | .71               | .68            | .68            |
| <b>Balance Sheet Data:</b>                      |                   |                   |                   |                |                |
| Working capital                                 | \$ 70,164         | \$ 62,444         | \$ 54,907         | \$ 57,504      | \$ 50,398      |
| Property—net                                    | 60,658            | 62,215            | 62,430            | 56,103         | 55,945         |
| Total assets                                    | 205,685           | 203,868           | 197,754           | 180,404        | 182,327        |
| Long-term debt                                  | 10,981            | 24,136            | 33,933            | 40,267         | 41,600         |
| Deferred income taxes                           | 12,072            | 10,208            | 8,011             | 8,344          | 8,332          |
| Shareholders' equity                            | 125,677           | 108,488           | 93,686            | 82,005         | 69,980         |

<sup>(1)</sup>Basic net income per share is computed by dividing earnings applicable to common shares by the weighted-average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock options.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## General Overview

National Beverage Corp. (the "Company") is a holding company for various operating subsidiaries that develop, manufacture, market and distribute a complete portfolio of quality beverage products throughout the United States. The Company's brands emphasize distinctive flavor variety, including its flagship brands Shasta® and Faygo®, complete lines of multi-flavored and cola soft drinks. In addition, the Company offers an assortment of premium beverages geared toward the health-conscious consumer, including Everfresh®, Home Juice® and Mr. Pure® 100% juice and juice-based products; and LaCROIX®, Mt. Shasta™, Crystal Bay® and ClearFruit® flavored and spring water products. The Company also produces specialty products, including VooDoo Rain®, a line of alternative beverages geared toward young consumers, Ohana® fruit-flavored drinks and St. Nick's® holiday soft drinks. Substantially all of the Company's brands are produced in its sixteen manufacturing facilities, which are strategically located in major metropolitan markets throughout the continental United States. The Company also develops and produces soft drinks for retail grocery chains, warehouse clubs, mass-merchandisers and wholesalers ("allied brands") as well as soft drinks for other beverage companies.

The Company's strategy emphasizes the growth of its branded products by offering a diverse beverage portfolio of proprietary flavors; by supporting the franchise value of regional brands; by developing and acquiring innovative products tailored toward healthy lifestyles; and by appealing to the "quality-price" sensitivity factor of the family consumer. Management believes that the "regional share dynamics" of its brands have a consumer loyalty within local markets that generates more aggressive retailer sponsored promotional activities.

The Company occupies a unique position in the industry as a vertically integrated national company delivering branded and allied brands through a hybrid distribution network to multiple beverage channels. As part of its sales and marketing strategy, the Company enters into long-term contractual relationships that join the expertise of Company sales, marketing and

manufacturing functions with national and regional retailers marketing/sales expertise to maximize sales for branded and allied branded products. These "Strategic Alliances" provide for retailer promotional support for the Company's brands and nationally integrated manufacturing and distribution services for the retailer's allied brands.

Over the last several years, the Company has focused on increasing penetration of its brands in the convenience channel through company-owned and independent distributors. The convenience channel is composed of convenience stores, gas stations and other smaller "up-and-down-the-street" accounts. Because of the higher retail prices and margins that typically prevail, the Company has undertaken specific measures to expand its distribution in this channel. These include the development of products specifically targeted to this market, such as VooDoo Rain, ClearFruit, Everfresh, Home Juice and Mr. Pure, and the acquisition of the Ritz® and Crystal Bay brands in fiscal 2001. Also, the Company has created proprietary and specialized packaging for these products with graphics specifically designed for the discriminating consumer. Management intends to continue its focus on enhancing growth in the convenience channel through both specialized packaging and innovative product development.

Beverage industry sales are seasonal with the highest volume typically realized during the summer months. Additionally, the Company's operating results are subject to numerous factors, including fluctuations in the costs of raw materials, changes in consumer preference for beverage products and competitive pricing in the marketplace.

## Results of Operations

### *Net Sales:*

Net sales for fiscal 2002 increased approximately \$22.4 million, or 4.7%, to \$502.8 million. This sales growth was due primarily to increased pricing in certain markets, increased volume of the Company's branded soft drinks, and sales of the Ritz and Crystal Bay brands acquired in September 2000. This improvement was partially offset by changes in product mix

## Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

and the elimination of certain low margin allied branded business.

Net sales for fiscal 2001 increased approximately \$54.1 million, or 12.7%, to \$480.4 million. This increase was due primarily to volume growth in the Company's flavored carbonated soft drinks, increased pricing of the Company's proprietary brands, and sales of the Ritz and Crystal Bay brands acquired in September 2000. This improvement was partially offset by declines related to product mix.

### *Gross Profit:*

Gross profit for fiscal 2002, which approximated 32.6% of net sales, increased 4.5%, to \$163.7 million. Gross profit was favorably affected by the improved pricing mentioned above and the effect of volume growth on fixed manufacturing costs, partially offset by increased costs and changes in product mix.

Gross profit approximated 32.6% and 32.8% of net sales in fiscal 2001 and fiscal 2000, respectively. This change in gross profit reflects increased distribution in the convenience channel which was offset by changes in product mix and increased utility and labor costs.

### *Selling, General and Administrative Expenses:*

Selling, general and administrative expenses for fiscal 2002 were \$136.9 million or 27.2% of net sales as compared to \$131.9 million or 27.4% of net sales for fiscal 2001. The dollar increase was primarily due to higher distribution and selling costs related to increased sales volume. The decline as a percent of net sales reflects the effect of higher volume on fixed expenses.

Selling, general and administrative expenses for fiscal 2001 increased \$11.7 million, or 9.8%, to \$131.9 million. This increase was due to higher distribution and selling costs related to increased sales volume, higher fuel costs, and integration costs related to the BCI acquisition.

### *Interest Expense and Other Income—Net:*

Fiscal 2002 and 2001 interest expense decreased \$1.3 million and \$.7 million, respectively, due to a reduction in average outstanding debt and interest rates. Other income includes interest income of \$1.1 million for fiscal 2002, \$1.6 million for fiscal 2001, and

\$1.4 million for fiscal 2000. The decline in interest income is due to a reduction in investment yields. In addition, other income for fiscal 2000 includes a gain of \$3.4 million from the sale of a residual interest in an operating lease.

### *Income Taxes:*

The Company's effective tax rate was approximately 38.3% for fiscal 2002, 38.1% for fiscal 2001, and 37.9% for fiscal 2000. The difference between the effective rate and the federal statutory rate of 35% was primarily due to the effects of state income taxes and other nondeductible expenses. See Note 8 of Notes to Consolidated Financial Statements.

## Capital Resources

The Company's current sources of capital are cash flow from operations and borrowings under existing credit facilities. The Company maintains unsecured revolving credit facilities aggregating \$45 million of which approximately \$43 million was available for future borrowings at April 27, 2002. Management believes that existing capital resources are sufficient to meet the Company's and the parent company's capital requirements for the foreseeable future.

Management views earnings before interest expense, taxes, depreciation and amortization ("EBITDA") as a key indicator of the Company's operating performance and enterprise value, although not as a substitute for cash flow from operations or operating income. The Company's EBITDA increased 3.6% to \$39.4 million for fiscal 2002 from \$38.1 million for the prior year. Management believes that EBITDA is sufficient to support additional growth and debt capacity.

## Summary of Cash Flow

The Company's principal source of cash during fiscal 2002 was \$23.4 million provided by operating activities. The Company's primary uses of cash were net debt repayments of \$13.2 million and capital expenditures of \$7.2 million.

Net cash provided by operating activities increased to \$23.4 million for fiscal 2002 from \$21.5 million last year largely due to an increase in net income and

favorable changes in working capital. Net cash used in investing activities declined to \$7.1 million from \$10.0 million reflecting \$4.0 million expended for acquisitions in fiscal 2001. Net cash used in financing activities increased \$2.9 million for fiscal 2002 as a result of an increase in debt repayments.

### Financial Condition

During fiscal 2002, the Company's working capital improved to \$70.2 million from \$62.4 million primarily due to cash generated from operations, an increase in current assets, and a reduction in accounts payable. Trade receivables and accrued liabilities increased as a result of the sales growth while the decline in accounts payable is related to the timing of certain raw material payments. At April 27, 2002, the current ratio was 2.3 to 1 compared to 2.1 to 1 for the prior year. The debt-to-equity ratio improved to .1 to 1 from .2 to 1 reflecting a reduction in debt and an increase in retained earnings.

### Liquidity

The Company continually evaluates capital projects designed to expand capacity and improve efficiency at its manufacturing facilities. The Company presently has no material commitments for capital expenditures and expects that fiscal 2003 capital expenditures will be comparable to fiscal 2002.

Debt agreements require subsidiaries to maintain certain financial ratios and contain other restrictions, none of which are expected to have a material impact on the operations or financial position of the Company. At April 27, 2002, retained earnings of approximately \$28 million were restricted from distribution and the Company was in compliance with all loan covenants. See Note 6 of Notes to Consolidated Financial Statements.

In January 1998, the Board of Directors authorized the Company to repurchase up to 800,000 shares of its common stock. In fiscal 2002 and 2001, the Company purchased 23,900 shares and 33,600 shares,

respectively, of common stock. Since January 1998, the Company has purchased 465,810 shares of its common stock.

Pursuant to a management agreement, the Company incurred a fee to Corporate Management Advisors, Inc. ("CMA") of approximately \$5.0 million for fiscal 2002, \$4.8 million for fiscal 2001, and \$4.3 million for fiscal 2000. At April 27, 2002, the Company owed \$1.3 million to CMA for unpaid fees. See Note 7 of Notes to Consolidated Financial Statements.

### Changes in Accounting Standards

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" in the first quarter of fiscal 2002. The adoption of SFAS No. 133 did not have a material impact on the Company's financial position or operating results and has not resulted in significant changes to its financial risk management practices. Also, in the first quarter of fiscal 2002, the Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets." The adoption of SFAS No. 142 did not materially impact the Company's financial position or operating results. See Note 4 of Notes to Consolidated Financial Statements.

In the fourth quarter of fiscal 2002, the Company adopted the Emerging Issues Task Force ("EITF") 01-9 "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products." The adoption of EITF 01-9 did not materially impact the Company's operating results.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" and addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 is effective for the Company's fiscal year beginning April 28, 2002. The Company does not expect that the adoption of this statement will materially impact its financial position or its operating results.

# Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

In May 2002, the Board issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" which rescinds the automatic treatment of gains or losses from extinguishment of debt as extraordinary. SFAS No. 145 also requires sale-leaseback accounting for certain lease modifications and makes various technical corrections to existing pronouncements. The provisions of SFAS No. 145 related to the rescission of FASB No. 4 are effective for fiscal years beginning after May 15, 2002 with all other provisions effective for transactions occurring after May 15, 2002, with early adoption encouraged.

## Critical Accounting Policies

The preparation of financial statements requires estimates and assumptions that affect the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Certain of the Company's accounting policies are critical to understanding its financial statements because their application places significant demands on management's judgment, with financial reporting results relying on estimates of matters that are inherently uncertain.

Management believes that the critical accounting policies described in the following paragraphs affect the most significant estimates and assumptions used in the preparation of its consolidated financial statements. For these policies, we caution that future events rarely develop exactly as estimated, and the best estimates routinely require adjustment.

### *Credit Risk*

The Company sells products to a variety of customers and extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral. Exposure to losses on receivables varies by customer principally due to the financial condition of each customer. The Company monitors its exposure to credit losses and maintains allowances for anticipated losses.

### *Impairment of Long-Lived Assets*

All long-lived assets, excluding goodwill and intangible assets not subject to amortization, are evaluated for impairment on the basis of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its estimated fair market value based on the best information available. Estimated fair market value is generally measured by discounting future cash flows. Goodwill and intangible assets not subject to amortization are evaluated for impairment annually or sooner in accordance with SFAS No. 142 and an impairment loss is recognized if the carrying amount is greater than its fair value.

### *Income Taxes*

The Company's effective income tax rate and the tax bases of its assets and liabilities are based on management's estimate of taxes which will ultimately be payable. Deferred taxes are recorded to give recognition to temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. Valuation allowances are established when it is deemed, more likely than not, that the benefit of deferred tax assets will not be realized.

### *Insurance Programs*

The Company maintains self-insured and deductible programs for certain liability, medical and workers' compensation exposures. The Company accrues for known claims and estimated incurred but not reported claims not otherwise covered by insurance, based on actuarial assumptions and historical claims experience.

## Forward-Looking Statements

The Company and its representatives may from time to time make written or oral statements that are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in this Annual Report, filings with the

Securities and Exchange Commission and other reports to the Company's stockholders. Certain statements, including, without limitation, statements containing the words "believes," "anticipates," "intends," "expects," and "estimates" constitute "forward-looking statements" and involve known and unknown risk, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: general economic and business conditions; pricing of competitive products; success of the Company's Strategic Alliance objective; success in acquiring other beverage businesses; success of new product and flavor introductions; fluctuations in the costs of raw materials; the Company's ability to increase prices; continued retailer support for the Company's products; changes in consumer preferences; success of implementing business strategies; changes in business strategy or development plans; government regulations; regional weather conditions; and other factors referenced in this Annual Report. The Company disclaims an obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein to reflect future events or developments.

## Quantitative and Qualitative Disclosures About Market Risk

The principal market risks to which the Company is exposed are commodity prices and interest rates.

### *Commodities*

The Company purchases various raw materials that fluctuate based on commodity market conditions. These include aluminum cans, high fructose corn syrup, and various juice concentrates. The Company's ability to recover increased costs through higher pricing may be limited by the competitive environment in which it operates.

### *Interest Rates*

At the end of fiscal 2002, the Company had \$10.9 million of floating-rate term-debt outstanding. If the interest rate changed by 100 basis points (1%), interest expense for fiscal 2002 would have changed by approximately \$160,000. Because of its limited exposure to interest rate movements, the Company does not currently utilize interest rate swaps or other interest rate hedging products.

The Company's investment portfolio consists primarily of short-term money market instruments, the yields of which fluctuate based largely on short-term Treasury rates. If the yield of these instruments had changed by 100 basis points (1%), interest income for fiscal 2002 would have changed by approximately \$360,000.

## Consolidated Balance Sheets

As of April 27, 2002 and April 28, 2001

(In thousands, except share amounts)

|                                                                                                                                                                                             | 2002             | 2001             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Assets</b>                                                                                                                                                                               |                  |                  |
| Current assets:                                                                                                                                                                             |                  |                  |
| Cash and equivalents                                                                                                                                                                        | \$ 42,646        | \$ 39,625        |
| Trade receivables—net of allowances of \$593 (2002) and \$559 (2001)                                                                                                                        | 42,955           | 41,068           |
| Inventories                                                                                                                                                                                 | 31,040           | 31,747           |
| Deferred income taxes                                                                                                                                                                       | 1,616            | 1,333            |
| Prepaid and other                                                                                                                                                                           | 5,621            | 6,518            |
| <b>Total current assets</b>                                                                                                                                                                 | <b>123,878</b>   | <b>120,291</b>   |
| Property—net                                                                                                                                                                                | 60,658           | 62,215           |
| Goodwill                                                                                                                                                                                    | 13,145           | 13,145           |
| Intangible assets—net                                                                                                                                                                       | 2,043            | 2,114            |
| Other assets                                                                                                                                                                                | 5,961            | 6,103            |
|                                                                                                                                                                                             | <b>\$205,685</b> | <b>\$203,868</b> |
| <b>Liabilities and Shareholders' Equity</b>                                                                                                                                                 |                  |                  |
| Current liabilities:                                                                                                                                                                        |                  |                  |
| Accounts payable                                                                                                                                                                            | \$ 30,819        | \$ 37,651        |
| Accrued liabilities                                                                                                                                                                         | 21,020           | 20,131           |
| Income taxes payable                                                                                                                                                                        | 1,875            | 65               |
| <b>Total current liabilities</b>                                                                                                                                                            | <b>53,714</b>    | <b>57,847</b>    |
| Long-term debt                                                                                                                                                                              | 10,981           | 24,136           |
| Deferred income taxes                                                                                                                                                                       | 12,072           | 10,208           |
| Other liabilities                                                                                                                                                                           | 3,241            | 3,189            |
| Commitments and contingencies                                                                                                                                                               |                  |                  |
| Shareholders' equity:                                                                                                                                                                       |                  |                  |
| Preferred stock, 7% cumulative, \$1 par value, aggregate liquidation preference of \$15,000—1,000,000 shares authorized; 150,000 shares issued; no shares outstanding                       | 150              | 150              |
| Common stock, \$.01 par value—authorized 50,000,000 shares; issued 22,209,312 shares (2002) and 22,134,612 shares (2001); outstanding 18,212,778 shares (2002) and 18,161,978 shares (2001) | 222              | 221              |
| Additional paid-in capital                                                                                                                                                                  | 16,526           | 15,638           |
| Retained earnings                                                                                                                                                                           | 126,257          | 109,705          |
| Treasury stock—at cost:                                                                                                                                                                     |                  |                  |
| Preferred stock—150,000 shares                                                                                                                                                              | (5,100)          | (5,100)          |
| Common stock—3,996,534 shares (2002) and 3,972,634 shares (2001)                                                                                                                            | (12,378)         | (12,126)         |
| <b>Total shareholders' equity</b>                                                                                                                                                           | <b>125,677</b>   | <b>108,488</b>   |
|                                                                                                                                                                                             | <b>\$205,685</b> | <b>\$203,868</b> |

See accompanying Notes to Consolidated Financial Statements.



## Consolidated Statements of Income

For the Fiscal Years Ended April 27, 2002, April 28, 2001 and April 29, 2000

| <i>(In thousands, except per share amounts)</i> | 2002      | 2001      | 2000      |
|-------------------------------------------------|-----------|-----------|-----------|
| Net sales                                       | \$502,778 | \$480,415 | \$426,269 |
| Cost of sales                                   | 339,041   | 323,743   | 286,245   |
| Gross profit                                    | 163,737   | 156,672   | 140,024   |
| Selling, general and administrative expenses    | 136,925   | 131,852   | 120,104   |
| Interest expense                                | 857       | 2,110     | 2,789     |
| Other income—net                                | 867       | 1,506     | 4,754     |
| Income before income taxes                      | 26,822    | 24,216    | 21,885    |
| Provision for income taxes                      | 10,270    | 9,236     | 8,302     |
| Net income                                      | \$ 16,552 | \$ 14,980 | \$ 13,583 |
| Net income per share—                           |           |           |           |
| Basic                                           | \$ .91    | \$ .82    | \$ .74    |
| Diluted                                         | \$ .87    | \$ .80    | \$ .71    |
| Average common shares outstanding—              |           |           |           |
| Basic                                           | 18,212    | 18,160    | 18,321    |
| Diluted                                         | 18,992    | 18,840    | 19,018    |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Shareholders' Equity

For the Fiscal Years Ended April 27, 2002, April 28, 2001 and April 29, 2000

| <i>(In thousands, except share amounts)</i> | 2002       |                  | 2001       |                  | 2000       |                  |
|---------------------------------------------|------------|------------------|------------|------------------|------------|------------------|
|                                             | Shares     | Amount           | Shares     | Amount           | Shares     | Amount           |
| <b>Preferred Stock</b>                      |            |                  |            |                  |            |                  |
| Beginning and end of year                   | 150,000    | \$ 150           | 150,000    | \$ 150           | 150,000    | \$ 150           |
| <b>Common Stock</b>                         |            |                  |            |                  |            |                  |
| Beginning of year                           | 22,134,612 | 221              | 22,117,332 | 221              | 22,062,012 | 221              |
| Stock options exercised                     | 74,700     | 1                | 17,280     | —                | 55,320     | —                |
| End of year                                 | 22,209,312 | 222              | 22,134,612 | 221              | 22,117,332 | 221              |
| <b>Additional Paid-In Capital</b>           |            |                  |            |                  |            |                  |
| Beginning of year                           |            | 15,638           |            | 15,556           |            | 15,304           |
| Stock options exercised                     |            | 888              |            | 82               |            | 252              |
| End of year                                 |            | 16,526           |            | 15,638           |            | 15,556           |
| <b>Retained Earnings</b>                    |            |                  |            |                  |            |                  |
| Beginning of year                           |            | 109,705          |            | 94,725           |            | 81,142           |
| Net income                                  |            | 16,552           |            | 14,980           |            | 13,583           |
| End of year                                 |            | 126,257          |            | 109,705          |            | 94,725           |
| <b>Treasury Stock—Preferred</b>             |            |                  |            |                  |            |                  |
| Beginning and end of year                   | 150,000    | (5,100)          | 150,000    | (5,100)          | 150,000    | (5,100)          |
| <b>Treasury Stock—Common</b>                |            |                  |            |                  |            |                  |
| Beginning of year                           | 3,972,634  | (12,126)         | 3,939,034  | (11,866)         | 3,673,054  | (9,712)          |
| Purchase of common stock                    | 23,900     | (252)            | 33,600     | (260)            | 265,980    | (2,154)          |
| End of year                                 | 3,996,534  | (12,378)         | 3,972,634  | (12,126)         | 3,939,034  | (11,866)         |
| <b>Total Shareholders' Equity</b>           |            | <b>\$125,677</b> |            | <b>\$108,488</b> |            | <b>\$ 93,686</b> |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

For the Fiscal Years Ended April 27, 2002, April 28, 2001 and April 29, 2000

| <i>(In thousands)</i>                                                                       | 2002             | 2001             | 2000             |
|---------------------------------------------------------------------------------------------|------------------|------------------|------------------|
| <b>Operating Activities:</b>                                                                |                  |                  |                  |
| Net income                                                                                  | \$ 16,552        | \$ 14,980        | \$ 13,583        |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                  |                  |                  |
| Depreciation and amortization                                                               | 11,750           | 11,739           | 10,163           |
| Deferred income tax provision                                                               | 1,581            | 2,329            | 582              |
| Loss (gain) on sale of assets                                                               | 203              | 95               | (3,364)          |
| Changes in assets and liabilities, net of acquisitions:                                     |                  |                  |                  |
| Trade receivables                                                                           | (1,887)          | (1,948)          | (677)            |
| Inventories                                                                                 | 707              | 786              | (1,934)          |
| Prepaid and other assets                                                                    | (2,180)          | (4,002)          | (3,441)          |
| Accounts payable                                                                            | (6,832)          | 92               | 2,809            |
| Other liabilities, net                                                                      | 3,463            | (2,604)          | 1,926            |
| <b>Net cash provided by operating activities</b>                                            | <b>23,357</b>    | <b>21,467</b>    | <b>19,647</b>    |
| <b>Investing Activities:</b>                                                                |                  |                  |                  |
| Property additions                                                                          | (7,162)          | (6,049)          | (8,559)          |
| Proceeds from sale of assets                                                                | 72               | 28               | 3,557            |
| Acquisitions, net of cash acquired                                                          | —                | (3,979)          | (5,258)          |
| <b>Net cash used in investing activities</b>                                                | <b>(7,090)</b>   | <b>(10,000)</b>  | <b>(10,260)</b>  |
| <b>Financing Activities:</b>                                                                |                  |                  |                  |
| Debt borrowings                                                                             | —                | —                | 4,000            |
| Debt repayments                                                                             | (9,155)          | (9,106)          | (8,334)          |
| Borrowings (payments) on line of credit, net                                                | (4,000)          | (1,000)          | (2,000)          |
| Purchase of common stock                                                                    | (252)            | (260)            | (2,154)          |
| Proceeds from stock options exercised                                                       | 161              | 42               | 103              |
| <b>Net cash used in financing activities</b>                                                | <b>(13,246)</b>  | <b>(10,324)</b>  | <b>(8,385)</b>   |
| <b>Net Increase in Cash and Equivalents</b>                                                 | <b>3,021</b>     | <b>1,143</b>     | <b>1,002</b>     |
| <b>Cash and Equivalents—Beginning of Year</b>                                               | <b>39,625</b>    | <b>38,482</b>    | <b>37,480</b>    |
| <b>Cash and Equivalents—End of Year</b>                                                     | <b>\$ 42,646</b> | <b>\$ 39,625</b> | <b>\$ 38,482</b> |
| <b>Other Cash Flow Information:</b>                                                         |                  |                  |                  |
| Interest paid                                                                               | \$ 935           | \$ 2,450         | \$ 2,867         |
| Income taxes paid                                                                           | 6,671            | 10,616           | 7,366            |

See accompanying Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

## 1. Significant Accounting Policies

### *Organization*

National Beverage Corp. (the "Company") is a holding company for various subsidiaries that develop, manufacture, market and distribute a complete portfolio of cola and multi-flavored soft drinks, juice drinks, water and specialty beverages. Substantially all of the Company's brands are produced in its sixteen manufacturing facilities, which are strategically located in major metropolitan markets across the continental United States.

### *Basis of Presentation*

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances have been eliminated. The Company's fiscal year ends the Saturday closest to April 30th. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Certain prior year amounts have been reclassified to conform to the fiscal 2002 presentation.

### *Cash and Equivalents*

Cash and equivalents are comprised of cash and highly liquid securities (consisting primarily of short-term money-market investments) with an original maturity or redemption option of three months or less.

### *Changes in Accounting Standards*

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" in the first quarter of fiscal 2002. The adoption of SFAS No. 133 did not have a material impact on the Company's financial position or operating results and has not resulted in significant changes to its financial risk management practices. Also, in the first quarter of fiscal 2002, the Company adopted SFAS No. 142

"Goodwill and Other Intangible Assets." The adoption of SFAS No. 142 did not materially impact the Company's financial position or operating results. See Note 4.

In the fourth quarter of fiscal 2002, the Company adopted the Emerging Issues Task Force ("EITF") 01-9 "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products." The adoption of EITF 01-9 did not materially impact the Company's operating results.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" and addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 is effective for the Company's fiscal year beginning April 28, 2002. The Company does not expect that the adoption of this statement will materially impact its financial position or its operating results.

In May 2002, the Board issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" which rescinds the automatic treatment of gains or losses from extinguishment of debt as extraordinary. SFAS No. 145 also requires sale-leaseback accounting for certain lease modifications and makes various technical corrections to existing pronouncements. The provisions of SFAS No. 145 related to the rescission of FASB No. 4 are effective for fiscal years beginning after May 15, 2002 with all other provisions effective for transactions occurring after May 15, 2002, with early adoption encouraged.

### *Credit Risk*

The Company sells products to a variety of customers and extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral. Exposure to losses on receivables varies by customer principally due to the financial condition of each customer. The Company monitors its exposure to credit losses and maintains allowances for anticipated losses. At April 27, 2002 and April 28, 2001, the

Company did not have any customers that comprised more than 10% of trade receivables. No one customer accounted for more than 10% of net sales for fiscal 2002, 2001 or 2000.

#### *Customer Contracts*

The Company incurs certain costs related to long-term contractual relationships with national and regional retailers to manufacture and market Company and retailer branded products. These costs are deferred and amortized based on the contractual unit volume or the straight-line method over the lesser of the period of benefit or the non-cancelable period of the contract. It is the Company's policy to periodically review and evaluate the future benefits associated with these costs to determine that deferral and amortization is justified. Of these costs, amounts associated with remaining periods of one year or less are included in other current assets and all other amounts are included in other assets. Advertising costs are expensed as incurred.

#### *Impairment of Long-Lived Assets*

All long-lived assets, excluding goodwill and intangible assets not subject to amortization, are evaluated for impairment on the basis of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its estimated fair market value based on the best information available. Estimated fair market value is generally measured by discounting future cash flows. Goodwill and intangible assets not subject to amortization are evaluated for impairment annually or sooner in accordance with SFAS No. 142 and an impairment loss is recognized if the carrying amount is greater than its fair value.

#### *Income Taxes*

The Company's effective income tax rate and the tax bases of its assets and liabilities are based on management's estimate of taxes which will ultimately be payable. Deferred taxes are recorded to give recognition to temporary differences between the tax bases of assets or liabilities and their reported amounts in the

financial statements. Valuation allowances are established when it is deemed, more likely than not, that the benefit of deferred tax assets will not be realized.

#### *Insurance Programs*

The Company maintains self-insured and deductible programs for certain liability, medical and workers' compensation exposures. The Company accrues for known claims and estimated incurred but not reported claims not otherwise covered by insurance, based on actuarial assumptions and historical claims experience.

#### *Inventories*

Inventories are stated at the lower of first-in, first-out cost or market. Inventories at April 27, 2002 are comprised of finished goods of \$17,531,000 and raw materials of \$13,509,000. Inventories at April 28, 2001 are comprised of finished goods of \$17,721,000 and raw materials of \$14,026,000.

#### *Net Income Per Share*

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted net income per share includes the dilutive effect of stock options.

#### *Property*

Property is recorded at cost. Depreciation is computed by the straight-line method over estimated useful lives of 7 to 30 years for buildings and improvements, and 3 to 15 years for machinery and equipment. When assets are retired or otherwise disposed, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized. Maintenance and repair costs are charged to expense as incurred, and renewals and improvements that extend the useful lives of assets are capitalized.

#### *Revenue Recognition*

Revenue from product sales is recognized by the Company when title and risk of loss passes to the customer, which generally occurs upon delivery.

## Notes to Consolidated Financial Statements *(continued)*

### *Segment Reporting*

The Company operates in a single operating segment for purposes of presenting financial information and evaluating performance. As such, the accompanying consolidated financial statements present financial information in a format that is consistent with the internal financial information used by management.

### *Shipping and Handling Costs*

Shipping and handling costs are reported in "Selling, general and administrative expenses" in the accompanying statements of income. Such costs aggregated \$39.7 million in fiscal 2002, \$37.0 million in fiscal 2001, and \$31.2 million in fiscal 2000.

## 2. Acquisitions

In September 2000, the Company acquired certain operations and assets of Beverage Canners International, Inc., a Miami-based producer and distributor of carbonated soft drinks and sparkling waters. The assets acquired included a leased manufacturing facility, inventory and the Ritz® and Crystal Bay® brands. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets acquired based upon their estimated fair values at the date of acquisition. Operating results of the acquired business, which are not material to consolidated results, have been included in the consolidated statements of income from the date of acquisition.

In May 1999, the Company acquired the operations and assets of Home Juice, a Chicago-based producer and distributor of premium juice and juice products. The assets acquired included a manufacturing facility, receivables, inventory and the Mr. Pure® and Home Juice® trademarks. The operating results of Home Juice, which are not material to consolidated results, have been included in the consolidated statements of income from the date of acquisition. The acquisition has been accounted for using the purchase method and, accordingly, the purchase price has been allocated to the assets acquired based upon their estimated fair values at the date of acquisition.

## 3. Property

Property at April 27, 2002 and April 28, 2001 consisted of the following:

| <i>(In thousands)</i>         | 2002      | 2001      |
|-------------------------------|-----------|-----------|
| Land                          | \$ 10,625 | \$ 10,625 |
| Buildings and improvements    | 35,437    | 35,088    |
| Machinery and equipment       | 98,195    | 94,356    |
| Total                         | 144,257   | 140,069   |
| Less accumulated depreciation | (83,599)  | (77,854)  |
| Property—net                  | \$ 60,658 | \$ 62,215 |

Depreciation expense was \$8,444,000 for fiscal 2002, \$7,996,000 for fiscal 2001, and \$6,966,000 for fiscal 2000. Other income for the fourth quarter of fiscal 2000 includes a gain of \$3.4 million from the sale of a residual interest in an operating lease.

## 4. Intangible Assets

In accordance with SFAS No. 142 adopted in the first quarter of fiscal 2002, the Company discontinued the amortization of goodwill and certain intangible assets that were determined to have an indefinite life. Had the Company applied the non-amortization provisions of SFAS No. 142 at the beginning of fiscal 2001, net income would have increased by \$361,000 (approximately \$.02 per share). Intangible assets at April 27, 2002 and April 28, 2001 consisted of the following:

| <i>(In thousands)</i>           | 2002     | 2001     |
|---------------------------------|----------|----------|
| Unamortized trademarks          | \$ 1,587 | \$ 1,601 |
| Amortizable distribution rights | 855      | 855      |
| Less accumulated amortization   | (399)    | (342)    |
| Net                             | \$ 456   | \$ 513   |

Amortization expense related to intangible assets was \$57,000 and \$144,000 for fiscal 2002 and fiscal 2001, respectively.



## 5. Accrued Liabilities

Accrued liabilities at April 27, 2002 and April 28, 2001 consisted of the following:

| <i>(In thousands)</i>     | 2002            | 2001            |
|---------------------------|-----------------|-----------------|
| Accrued promotions        | \$ 7,307        | \$ 5,951        |
| Accrued compensation      | 5,487           | 5,595           |
| Other accrued liabilities | 8,226           | 8,585           |
| Total                     | <u>\$21,020</u> | <u>\$20,131</u> |

## 6. Debt

Long-term debt at April 27, 2002 and April 28, 2001 consisted of the following:

| <i>(In thousands)</i> | 2002            | 2001            |
|-----------------------|-----------------|-----------------|
| Credit Facilities     | \$ —            | \$ 4,000        |
| Term Loan Facilities  | 10,900          | 19,900          |
| Other                 | 81              | 236             |
| Total                 | <u>\$10,981</u> | <u>\$24,136</u> |

Certain subsidiaries of the Company maintain unsecured revolving credit facilities aggregating \$45 million (the "Credit Facilities") and unsecured term loan facilities ("Term Loan Facilities") with banks. The Credit Facilities expire through December 10, 2003 and bear interest at ½% below the banks' reference rate or 1% above LIBOR, at the subsidiaries' election. The Term Loan Facilities are repayable in installments through July 31, 2004, and bear interest at the banks' reference rate or 1¼% above LIBOR, at the subsidiaries' election. The Company intends to utilize its existing long-term Credit Facilities to fund the current principal payments due on its Term Loan Facilities.

Debt agreements require subsidiaries to maintain certain financial ratios and contain other restrictions, none of which are expected to have a material impact on the operations or financial position of the Company. At April 27, 2002, retained earnings of approximately \$28 million were restricted from distribution and the Company was in compliance with all loan covenants.

The long-term portion of debt at April 27, 2002 matures as follows: \$10,381,000 in fiscal 2004 and \$600,000 in fiscal 2005.

The fair value of debt has been estimated using discounted cash flow models incorporating discount rates based on current market interest rates for similar types of instruments. At April 27, 2002 and April 28, 2001, the difference between the estimated fair value and the carrying value of debt instruments was not material.

## 7. Capital Stock and Transactions with Related Parties

In January 1998, the Board of Directors authorized the Company to repurchase up to 800,000 shares of its common stock. In fiscal 2002 and 2001, the Company purchased 23,900 shares and 33,600 shares, respectively, of common stock on the open market. Such shares are classified as treasury stock.

The Company is a party to a management agreement with Corporate Management Advisors, Inc. ("CMA"), a corporation owned by the Company's Chairman and Chief Executive Officer. Under the agreement, the employees of CMA provide the Company with corporate finance, strategic planning, business development and other management services for an annual base fee equal to one percent of consolidated net sales, plus incentive compensation based on certain factors to be determined by the Compensation Committee of the Company's Board of Directors. The Company incurred fees to CMA of \$5.0 million, \$4.8 million, and \$4.3 million for fiscal 2002, 2001 and 2000, respectively. No incentive compensation has been incurred or approved under the management agreement since its inception. Included in accounts payable in the accompanying consolidated balance sheets at April 27, 2002 and April 28, 2001 were amounts due CMA of \$1,258,000 and \$430,000, respectively.

## Notes to Consolidated Financial Statements *(continued)*

### 8. Income Taxes

The provision for income taxes consisted of the following:

| <i>(In thousands)</i> | 2002            | 2001           | 2000           |
|-----------------------|-----------------|----------------|----------------|
| Current               | \$ 8,689        | \$6,907        | \$7,720        |
| Deferred              | 1,581           | 2,329          | 582            |
| Total                 | <u>\$10,270</u> | <u>\$9,236</u> | <u>\$8,302</u> |

The reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

|                                            | 2002         | 2001         | 2000         |
|--------------------------------------------|--------------|--------------|--------------|
| Statutory federal income tax rate          | 35.0%        | 35.0%        | 35.0%        |
| State income taxes, net of federal benefit | 2.6          | 2.5          | 2.4          |
| Goodwill and other permanent differences   | .7           | .6           | .8           |
| Other, net                                 | —            | —            | (.3)         |
| Effective income tax rate                  | <u>38.3%</u> | <u>38.1%</u> | <u>37.9%</u> |

Deferred taxes are recorded to give recognition to temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. Valuation allowances are established when it is deemed, more likely than not, that the benefit of deferred tax assets will not be realized. The Company's deferred tax assets and liabilities as of April 27, 2002 and April 28, 2001 consisted of the following:

| <i>(In thousands)</i>            | 2002            | 2001            |
|----------------------------------|-----------------|-----------------|
| Deferred tax assets:             |                 |                 |
| Accrued expenses and other       | \$ 1,857        | \$ 3,477        |
| Inventory and amortizable assets | 452             | 522             |
| Total deferred tax assets        | 2,309           | 3,999           |
| Deferred tax liabilities:        |                 |                 |
| Property and intangibles         | 12,765          | 12,874          |
| Net deferred tax liabilities     | <u>\$10,456</u> | <u>\$ 8,875</u> |

### 9. Leases

Future minimum rental commitments for non-cancelable operating leases at April 27, 2002 are as follows:

| <i>(In thousands)</i>        |                 |
|------------------------------|-----------------|
| Fiscal 2003                  | \$ 5,166        |
| Fiscal 2004                  | 3,995           |
| Fiscal 2005                  | 2,421           |
| Fiscal 2006                  | 1,026           |
| Fiscal 2007                  | 926             |
| Thereafter                   | 298             |
| Total minimum lease payments | <u>\$13,832</u> |

Rental expense was \$9,415,000 for fiscal 2002, \$10,164,000 for fiscal 2001, and \$8,179,000 for fiscal 2000.

### 10. Incentive and Retirement Plans

The Company's 1991 Omnibus Incentive Plan (the "Omnibus Plan") provides for compensatory awards consisting of (i) stock options or stock awards for up to 2,000,000 shares of common stock of the Company, (ii) stock appreciation rights, dividend equivalents, other stock-based awards in amounts up to 2,000,000 shares of common stock of the Company and (iii) performance awards consisting of any combination of the above. The Omnibus Plan is designed to provide an incentive to the officers (including those who are also directors) and certain other key employees and consultants of the Company by making available to them an opportunity to acquire a proprietary interest or to increase such interest in the Company. The number of shares or options which may be issued under stock based awards to an individual is limited to 700,000 during any year. Awards may be granted for no cash consideration or such minimal cash consideration as may be required by law. Options generally vest over a five-year period and expire after ten years.

Pursuant to a Special Stock Option plan, the Company has authorized the issuance of options to purchase up to an aggregate of 500,000 shares of common stock. Options may be granted for such consideration as determined by the Board or a Committee of the Board. The Company also authorized the issuance of options to purchase up to 50,000 shares of common stock to be issued at the direction of the Chairman.

In March 1997, the Company's Board of Directors adopted the Key Employee Equity Partnership Program ("KEEP"), which provides for the granting of stock options to purchase up to 100,000 shares of common stock to key employees, consultants, directors and officers of the Company. Participants who purchase shares of the Company's stock in the open market receive grants of stock options equal to 50% of the number of shares purchased, up to a maximum of 6,000 shares in any two-year period. Options under the KEEP program are automatically forfeited in the event of the sale of shares originally acquired by

the participant. The options are granted at an initial exercise price of 60% of the purchase price paid for the shares acquired and reduces to the par value of the Company's stock at the end of the six-year vesting period. The difference between the exercise price and the fair market value of the stock on date of grant is amortized over the vesting period.

On October 26, 2001, the Company's stockholders approved an amendment to the Company's Omnibus Incentive Plan and Special Stock Option Plan to increase the number of shares available for award by 600,000 and 100,000 shares, respectively.

The Company's 1991 Stock Purchase Plan (the "Stock Purchase Plan") provides for the purchase of up to 640,000 shares of common stock by employees of the Company who (i) have been employed by the Company for at least two years, (ii) are not part-time employees of the Company and (iii) are not owners of five percent (5%) or more of the common stock of the Company. As of April 27, 2002, no shares have been issued under the Stock Purchase Plan.

The following is a summary of stock option activity:

|                                                | 2002       |                                 | 2001         |                                 | 2000         |                                 |
|------------------------------------------------|------------|---------------------------------|--------------|---------------------------------|--------------|---------------------------------|
|                                                | Shares     | Weighted-Average Exercise Price | Shares       | Weighted-Average Exercise Price | Shares       | Weighted-Average Exercise Price |
| <i>(Options in thousands)</i>                  |            |                                 |              |                                 |              |                                 |
| Options outstanding at beginning of year       | 1,274      | \$3.71                          | 1,122        | \$ 3.28                         | 1,191        | \$3.29                          |
| Options granted                                | 89         | 8.84                            | 208          | 7.26                            | 8            | 5.24                            |
| Options exercised                              | (257)      | .84                             | (17)         | 2.65                            | (55)         | 2.28                            |
| Options canceled                               | (110)      | 6.45                            | (39)         | 10.61                           | (22)         | 7.08                            |
| Options outstanding at end of year             | <u>996</u> | <u>4.61</u>                     | <u>1,274</u> | <u>3.71</u>                     | <u>1,122</u> | <u>3.28</u>                     |
| Options exercisable at end of year             | 751        |                                 | 954          |                                 | 921          |                                 |
| Options available for grant at end of year     | 1,155      |                                 | 387          |                                 | 586          |                                 |
| Weighted-average fair value of options granted |            | \$7.88                          |              | \$ 5.04                         |              | \$6.46                          |

## Notes to Consolidated Financial Statements *(continued)*

The following is a summary of stock options outstanding at April 27, 2002:

| Range of Exercise Price | Options Outstanding                         |            | Options Exercisable             |            |                                 |
|-------------------------|---------------------------------------------|------------|---------------------------------|------------|---------------------------------|
|                         | Weighted-Average Remaining Contractual Life | Shares     | Weighted-Average Exercise Price | Shares     | Weighted-Average Exercise Price |
| \$2.09                  | 2 years                                     | 392        | \$2.09                          | 392        | \$2.09                          |
| \$2.25–\$4.95           | 4 years                                     | 135        | 2.63                            | 127        | 2.53                            |
| \$5.00                  | 4 years                                     | 144        | 5.00                            | 144        | 5.00                            |
| \$5.06–\$8.54           | 8 years                                     | 156        | 7.02                            | 35         | 6.87                            |
| \$9.00–\$9.88           | 8 years                                     | 169        | 9.45                            | 53         | 9.88                            |
|                         |                                             | <u>996</u> | <u>4.61</u>                     | <u>751</u> | <u>3.49</u>                     |

The option price range for all options outstanding at the end of the fiscal year was \$2.09 to \$9.88 for 2002, \$.13 to \$9.88 for 2001, and \$.13 to \$13.50 for 2000. The option price range for options exercised during the fiscal year was \$.13 to \$5.00 for 2002, \$2.09 to \$5.00 for 2001, and \$.63 to \$5.00 for 2000. During fiscal 2002, approximately \$727,000 of accrued compensation and tax benefits related to stock options exercised was recorded to additional paid-in capital.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations, in accounting for stock-based awards to employees. Under APB 25, the Company generally recognizes no compensation expense with respect to such awards unless the exercise price of options granted is less than the market price on the date of grant.

Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standards No. 123 "Accounting and Disclosure of Stock-Based Compensation" ("SFAS 123") for awards granted after December 15, 1994, as if the Company had accounted for its stock-based awards to employees under the fair value method of SFAS 123. The fair value of stock option grants was estimated using a Black-Scholes option-pricing model with the following assumptions used for grants: expected life of 10 years; volatility factor of 43% for fiscal 2002, 45% for 2001, and 46% for 2000; risk-free

interest rates of approximately 5% for fiscal 2002, 5% for 2001 and 6% for 2000; and no dividend payments. Had compensation cost for the Company's option plans been determined and recorded consistent with the Black-Scholes option-pricing model in accordance with SFAS 123, the Company's net income and earnings per share for fiscal 2002, 2001 and 2000 would have been reduced on a pro forma basis by less than \$200,000 (\$.01 per share) for each year.

The Company contributes to various defined contribution retirement plans (which cover employees under various collective bargaining agreements) and discretionary profit sharing plans (which cover all non-union employees). Contributions were \$1.7 million for fiscal 2002, \$1.5 million for fiscal 2001, and \$1.3 million for fiscal 2000.

### 11. Commitments and Contingencies

From time to time, the Company is a party to various litigation matters arising in the ordinary course of business. In the opinion of management, the ultimate disposition of such matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

In the ordinary course of its business, the Company enters into commitments for the supply of certain raw materials, none of which are material to the Company's financial position.

## 12. Quarterly Financial Data (Unaudited)

| <i>(In thousands, except per share amounts)</i> | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|-------------------------------------------------|---------------|----------------|---------------|----------------|
| Fiscal 2002                                     |               |                |               |                |
| Net sales                                       | \$ 152,385    | \$ 124,124     | \$ 100,409    | \$ 125,860     |
| Gross profit                                    | 50,126        | 39,980         | 32,587        | 41,044         |
| Net income                                      | 7,616         | 3,589          | 930           | 4,417          |
| Net income per common share:                    |               |                |               |                |
| Basic                                           | \$ .42        | \$ .20         | \$ .05        | \$ .24         |
| Diluted                                         | \$ .40        | \$ .19         | \$ .05        | \$ .23         |
| Fiscal 2001                                     |               |                |               |                |
| Net sales                                       | \$ 140,226    | \$ 120,760     | \$ 97,096     | \$ 122,333     |
| Gross profit                                    | 46,053        | 38,917         | 30,249        | 41,453         |
| Net income                                      | 6,950         | 3,315          | 532           | 4,183          |
| Net income per common share:                    |               |                |               |                |
| Basic                                           | \$ .38        | \$ .18         | \$ .03        | \$ .23         |
| Diluted                                         | \$ .37        | \$ .18         | \$ .03        | \$ .22         |

## Report of Independent Certified Public Accountants

To the Board of Directors and  
Shareholders of National Beverage Corp.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of National Beverage Corp. and its subsidiaries at April 27, 2002 and April 28, 2001, and the results of their operations and their cash flows for each of the three years in the period ended April 27, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 4 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" effective April 29, 2001.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Miami, Florida  
July 23, 2002

## Market Information

The common stock of the Company, par value \$.01 per share, ("the Common Stock") is listed on the American Stock Exchange ("AMEX") under the symbol "FIZ." The following table shows the range of high and low sale prices per share of the Common Stock as reported by the AMEX for the fiscal quarters indicated:

|                | Fiscal 2002 |         | Fiscal 2001 |        |
|----------------|-------------|---------|-------------|--------|
|                | High        | Low     | High        | Low    |
| First Quarter  | \$10.35     | \$ 8.90 | \$ 9.75     | \$7.63 |
| Second Quarter | \$10.94     | \$ 9.66 | \$ 8.13     | \$6.69 |
| Third Quarter  | \$13.34     | \$10.30 | \$10.25     | \$6.63 |
| Fourth Quarter | \$14.40     | \$12.35 | \$10.00     | \$7.94 |

Excluding beneficial owners of the Company's Common Stock whose securities are held in the names of various dealers and/or clearing agencies, there were approximately 1,000 shareholders of record at July 19, 2002, according to records maintained by the Company's transfer agent.

The Company has not paid any cash dividends with respect to its Common Stock during the last three fiscal years and the Company's Board of Directors has no present plans for declaring any such cash dividends. See Note 6 of Notes to Consolidated Financial Statements for certain restrictions on the payment of dividends.





# Corporate Data



## Directors

Nick A. Caporella  
Chairman of the Board  
& Chief Executive Officer  
National Beverage Corp.

Joseph G. Caporella  
Executive Vice President  
National Beverage Corp.

Samuel C. Hathorn, Jr.\*  
President  
Trendmaker Development Co.

S. Lee Kling\*  
Chairman of the Board  
The Kling Company

Joseph P. Klock, Jr., Esq.\*  
Chairman and Managing Partner  
Steel, Hector & Davis

\*Member Audit Committee

## Corporate Management

Nick A. Caporella  
Chairman of the Board  
& Chief Executive Officer

Joseph G. Caporella  
Executive Vice President

George R. Bracken  
Senior Vice President—Finance

Dean A. McCoy  
Senior Vice President—Controller

Raymond J. Notarantonio  
Executive Director—IT

John S. Bartley  
Director—Internal Audit

Brent R. Bott  
Director—Consumer Marketing

Gregory J. Kwederis  
Director—Beverage Analyst

Janet M. McCabe  
Director—Insurance

Lawrence P. Parent  
Director—Credit Management

John S. Shaub  
Director—Tax

## Subsidiary Management

Edward F. Knecht  
President  
Shasta Sweetener Corp.  
PACO, Inc.

Sanford E. Salzberg  
President  
Shasta Northwest, Inc.

Stanley M. Sheridan  
President  
Faygo Beverages, Inc.

Michael J. Bahr  
Executive Vice President  
Shasta West, Inc.

Alan D. Domzalski  
Executive Vice President  
Everfresh Beverages, Inc.

Brian M. Gaggin  
Executive Vice President  
National Retail Brands, Inc.

James M. Lee  
Executive Vice President  
Beverage Corporation International, Inc.

Charles A. Maier  
Executive Vice President  
Foodservice  
Shasta Sales, Inc.

Michael J. Perez  
Executive Vice President  
Shasta Midwest, Inc.

William R. Phillips  
Executive Vice President  
National BevPak

Dennis L. Thompson  
Executive Vice President  
BevCo Sales, Inc.

John F. Hlebica  
Vice President  
Shasta Beverages International, Inc.

Worth B. Shuman, III  
Vice President  
Military Sales

Gregory L. Kimbrough  
General Manager  
PETCO, Inc.

Martin J. Rose  
General Manager  
Shasta Vending

## Subsidiaries

BevCo Sales, Inc.  
Beverage Corporation International, Inc.  
Everfresh Beverages, Inc.  
Faygo Beverages, Inc.  
Home Juice Corp.  
National Retail Brands, Inc.  
NewBevCo, Inc.  
PACO, Inc.  
PETCO, Inc.  
Shasta Beverages, Inc.  
Shasta Beverages International, Inc.  
Shasta Midwest, Inc.  
Shasta Northwest, Inc.  
Shasta Sales, Inc.  
Shasta Sweetener Corp.  
Shasta West, Inc.  
Winnsboro Beverage Packers, Inc.

## Corporate Offices

One North University Drive  
Fort Lauderdale, FL 33324  
954-581-0922

## Annual Meeting

The Annual Meeting of Shareholders will be held on Friday, September 27, 2002 at 2:00 p.m. local time at the Hyatt Regency Orlando International Airport, 9300 Airport Boulevard, Orlando, Florida 32827.

## Financial and Other Information

Copies of National Beverage Corp.'s Annual Report, Annual Report on Forms 10-K and supplemental quarterly financial data are available free of charge. Requests should be directed to the Company at P.O. Box 16720, Fort Lauderdale, FL 33318. Attention: Shareholder Relations.

Earnings and other financial results, corporate news and other Company information are available on National Beverage's website at [www.nationalbeverage.com](http://www.nationalbeverage.com).

## Stock Listing

National Beverage Corp.'s Common Stock is listed on the American Stock Exchange—ticker symbol FIZ.

## Registrar and Transfer Agent

Mellon Investor Services LLC  
85 Challenger Rd.  
Overpeck Centre  
Ridgefield Park, NJ 07667  
800-756-3353

## Independent Auditors

PricewaterhouseCoopers LLP  
Miami, FL

## Thanks

A very special thanks to our wonderful National Beverage Team for a great year. This entire Annual Report reflects people, products and results that are truly... *Ours!*

To all those members of the National Beverage Family who appeared in this Annual Report... Thanks!

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| <i>Austin and Spencer Bott</i> | Page 7             |
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