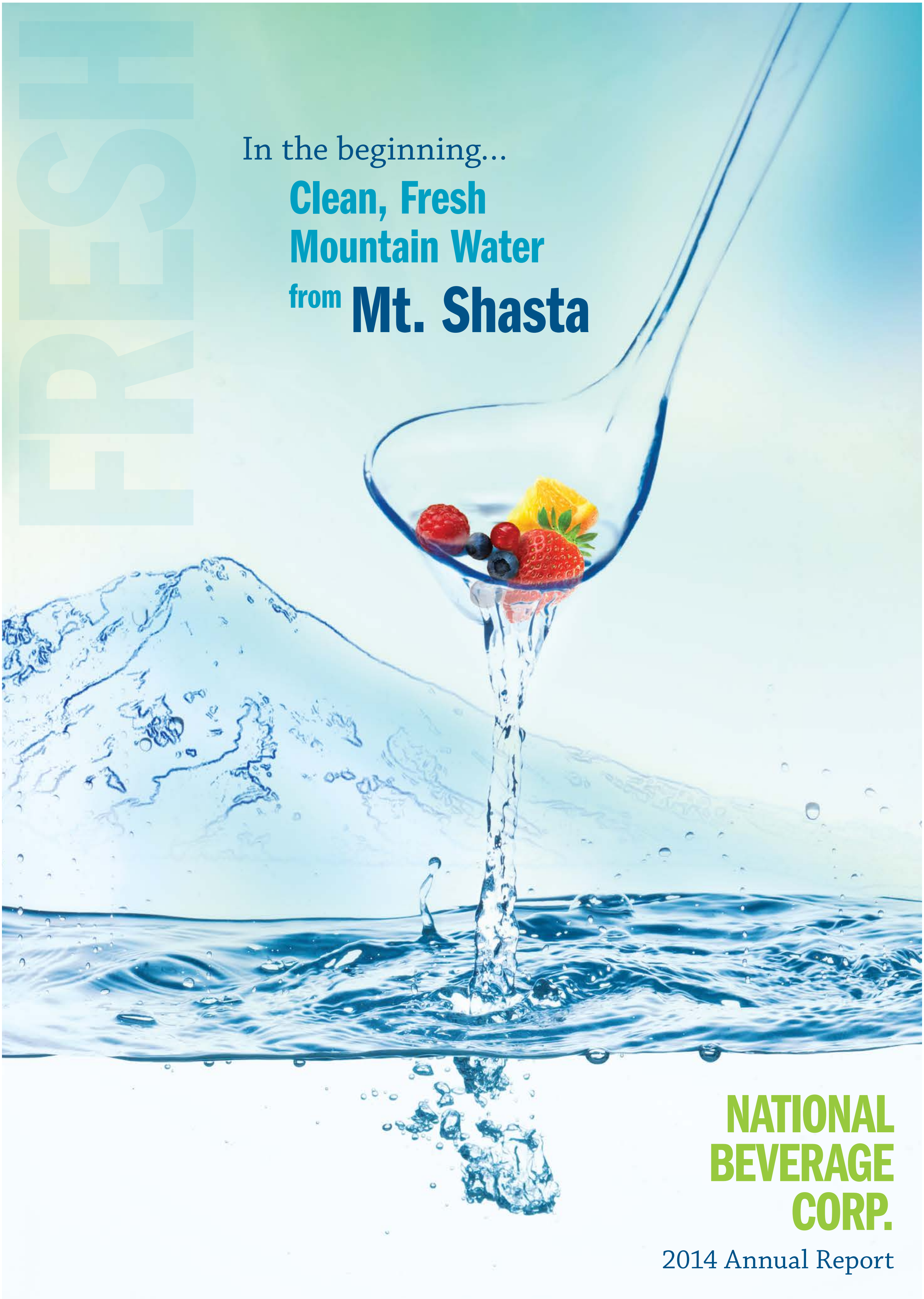



In the beginning...

# Clean, Fresh Mountain Water from Mt. Shasta

NATIONAL BEVERAGE CORP.

2014 Annual Report

# CLEARLY POWERFUL

Water is our life at National Beverage Corp.
...soda water, carbonated water, sparkling water and flavored water. These last 22 years from a humble start, we were able to generate a value for many; reaching nearly $1.3 billion. We dedicate our thanks to all who played a part in these wonderful drops of water. May our wonderful future together bring all of us much happiness and prosperity!

**$1.3 BILLION**

**2,988%**
GROWTH OVER 22 YEARS

**$42 MILLION**

## “ ALL **GREATNESS . . .** STARTS WITH **THE NEED FOR IT!** ”

LaCroix Cúrate

***Coves and waters at the shoreline of serenity . . .***

This place where peace is present and thoughts of business and our Company seem more in focus – kind of like the perception from a slow moving hot-air balloon. Writing this Annual Report message here is anticipatory – with good thoughts abounding!

Prior to this writing, I planned to say as little as possible about FY2014 and place more emphasis on the future; no excuse or explanation will make up the difference between our reported results and our target. We feel that the first quarter is on track and our humility influences us to be a smarter, better team. FY2014 validated that our creative once again ‘hit’ the mark with Cúrate. That’s a certainty . . . and a just farewell to a so-so year.

**1979 . . .**

One evening years ago in a crowded Omni ballroom, I slightly stooped enabling a special man to encircle my neck with a very coveted American award. At 43 and quite young for a public company green CEO, notwithstanding being an awardee also . . . the man, as he embraced me, whispered in my ear, “Think Nick – time allows you to seek a unique destiny! Congratulations . . . ” Dr. Norman Vincent Peale, the noted character who empowered thousands with his ‘Power of Positive Thinking’ – mentally embraced me with his stimulating words. These words would have been excellent for any corporate youngster – and, most especially for me, so embroiled at that time. Today, those words of promise by Dr. Peale are just as meaningful as that special evening many years ago – in fact . . . maybe more so! Why? Opportunity is more prolific than at any time in the recent past, while time is so frugal with her charity.

OUR FOCUS...

**FY2015 . . .**

While actual time may be limited certainly – this present time is especially perfect for National Beverage to lead the transformation within the soft drink industry. Our discipline to place the long-range interests of shareholders ahead of short-term gains, our flexibility of speed to market and our creativity that leads the industry, places us at the forefront to innovate the gravitating 'crossover' consumer. We are sincerely committed to the health and wellness consumer and plan to expedite our innovation across all of our brands.

Authenticity in a beverage is . . . and *All-ways* will be . . . Sparkling Pure *(Innocent)* Water!

**High Yield Ideas . . .**

There is but one ultimate goal in a public company and that is to create shareholder value! How much and how long it takes – is the dynamic paradigm.

Sparkling water refreshment, juice and juice drinks and Rip It functional beverages are the categories of preference for our Company. These are proving to not only be a must choice for the health-conscious consumer, but also are oriented to the more athletic and resourceful enthusiast.

In our FY2013 Annual Report, we announced a plan to develop Shasta's new sparkling waters. At this time, we have finalized packaging, graphics and formulations for duplicating the famous delicious flavors that kept Shasta Cola, Shasta Root Beer, Shasta Black Cherry and

**SPARKLING WATER CONSUMPTION**
(PER CAPITA)


| 8 OZ. DRINK CONSUMPTION | |
|---|---|
| GERMANY | 561 |
| AUSTRIA | 325 |
| HUNGARY | 305 |
| SWITZERLAND | 275 |
| ITALY | 245 |

As CSD's (Diet & Regular) decline and Sparkling Water in USA grows to match Europe – the category will expand $6.1 billion from present.

the other wonderful Shasta *flavorites* as America's true iconic flavors. A healthier Shasta is on its way . . .

Within this message, we have provided a chart showing that the European consumer has switched to healthier beverages and foresee the North American consumer to follow this trend. You will notice that countries consuming more and more sparkling waters are doing so because of more health-conscious and smarter consumers. Likewise, we believe that more and more carbonated cola drinkers in North America will be crossover regulars to our Shasta sparkling and LaCroix sparkling water beverages. A healthier, no calorie, no harm *(Innocent)* refreshment such as LaCroix Cúrate has recently become the number one choice of North American health-conscious consumers coast to coast.

**Conclusion . . .**

Bold, innovative dynamics offering a total family beverage (namely LaCroix with various themes), will continue to unfold throughout the balance of FY2015. We have chosen LaCroix as that family beverage due to the wide acceptance of LaCroix Cúrate. Chateaux LaCroix, LaCroix Jardin and a new package, LaCroix teen drink, are under development and nearing market presentation. We have just tested and released LaCroix NiCola which will allow that cola enthusiast to continue to enjoy a great essence, taste and soothing refreshment in a sodium – calorie – sweetener *'Innocent'* (fabulously beautiful) tall, fun container. We do not have to say healthy any longer when we say LaCroix – LaCroix exemplifies the true definition of healthy. It truly does . . . *Yes!*

Our brands and their potential represent the maximum value creation of our Company. Over the recent months, we have stated that the maximum value of certain of our brands would be achieved by enhancement of distribution. More recent interests have necessitated the plan to formalize a method to further this exploration.

National Beverage Corp. has enjoyed providing yield and dividend returns to its shareholders, consumers and employees for the past 22 years. $100 of investment 22 years ago would have provided $4,115 in yield and appreciation at the end of FY2014 and also a tremendous amount of heartfelt fun and excitement. My personal goal is to make good on my promise to have everyone enjoy a Happy Ending to the story of . . . FIZZ ! Maybe Dr. Norman Vincent Peale was a bit of a psychic and saw that my destiny was refreshments, caring and goodness . . . and our National Beverage Corp. would prove to be the ultimate corporate vehicle in which to make that dream come true. What better way could there be to generate a happy conclusion – but through the use of the . . . 'Power of Positive Thinking'!

***Patience – Innovation – Agility – Timing = Excellent Results!***

*(As the story goes, this worked for a Fabled Goose – but I also think it could be the formula for teaching that Goose to provide more than – one!)*

Magnificently Essenced LaCroix to you – and a Refreshingly Prosperous FY2015.

Let's tip a can of LaCroix NiCola together – *Cheers!*

Nick

Nick A. Caporella
Chairman and Chief Executive Officer

OUR PURPOSE...


Piña Fraise
PINEAPPLE STRAWBERRY
NATURALLY ESSENCED
SPARKLING WATER
La Croix®
cúrate™
SODIUM : INNOCENT!
...HEALTHY OUTLOOK


...HEALTHY ATTITUDE
Everfresh
Everfresh
premier™
VARIETALS
PINK LADY®
100% APPLE JUICE
FROM CONCENTRATE

# PEOPLE WILL ALWAYS BUY . . . WHAT'S STUNNING TO THE EYE. CÚRATE . . . DOES IT!


(COO-RAH-TAY) . . . Say it, adore it, embrace its beauty and love its taste. We have created bold, vivid flavors that will 'cure' your longing for the best. *Cúrate* means 'to cure yourself.' Do it . . .

## GET YOUR TUMMY READY FOR AN ORCHARD TREAT – DELICIOUS EVERFRESH APPLES!


Juice – Juice Drinks – *Rip It Energy* and enhanced beverages are in our portfolio for the consumer who wants more functionality along with refreshment! And they do just that . . . many good things for many good choices!

## CHOOSE A FAVORITE . . . AND MAKE REALITY TASTE GREAT!

# *SHASTA* IS TRUST . . . IN A PACKAGE OF HEALTH – CARBONATED WATER, NATURALLY ESSENCED!

Once in a lifetime – a great soda is transformed into a distinctive tasting sparkling water – a special formula makes it . . . Fabulous!

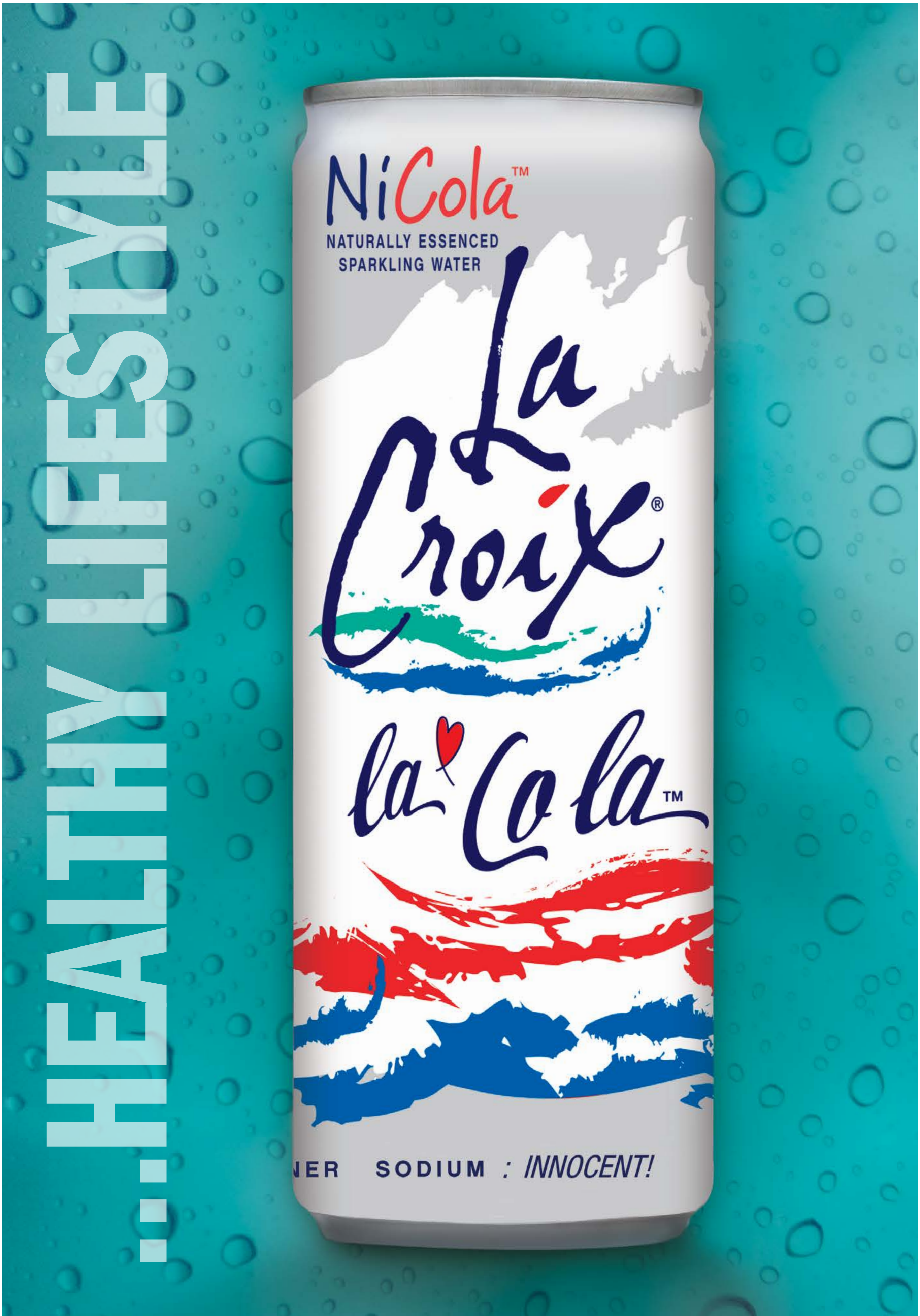
## YES . . . THE TREE OF LIFE SAYS: LET ZEST BE YOUR WAY OF LIFE!

Parties – weddings – picnics are times for celebration. Family outings create a scrapbook of reflections touching the heart. *Shasta* makes memories . . . memorable! Smile . . .

EARNING TRUST SINCE 1889

## NOSTALGIC MEMORIES ARE FLAVORS OF THE MIND . . .


SHASTA®
SPARKLING WATER
DRAFT
ROOT BEER
...HEALTHY FEELING


..HEALTHY LIFESTYLE
NiCola™
NATURALLY ESSENCED
SPARKLING WATER
La Croix®
la Co la™
SODIUM : INNOCENT!

# HEALTHY, SEXY LOOKING PACKAGES CREATE BIG DESIRE . . . FOR *NICOLA!*


Cola, an All-American favorite, can now be enjoyed by a smart, healthy, savvy consumer with *(Innocent)* repercussions! The essence will tickle your taste buds – then Wow . . . you'll never go back to the . . . 'same old' cola!

**ENGAGING LACROIX *NICOLA* . . . WITH *LA COLA* MAKES JOY A DARING DEBUT – TRY IT!**


LaCroix flavors are not just a name on a package, but instead a package of vibrant . . . always tempting, always delicious, always . . . *LaCroix!*

**NATURAL FUN FLAVORS ARE THE ESSENCE OF . . . *LACROIX!***


SHASTA
SPARKLING WATER
LaCroix
Shasta
Faygo
Everfresh
premier
VARIETALS
LaCroix
curate
Rip it
ENERGY FUEL
Everfresh
Nature's Refreshment
MEGA
Clear Fruit
St.Nick's

# FINANCIAL REVIEW

***OFTEN A FLINCH IN ONE'S HONOR –***
***CONCERNING DISAPPOINTING PERFORMANCE . . .***
***ACUTELY HEIGHTENS THEIR DETERMINATION –***
***WHILE FUELING THEIR SENSE OF URGENCY . . .***

**FY2014 Revenues $641 mil Net Income $44 mil EPS $.93**

There is no line upon which to record certain values – the richness of Character; the robustness of Passion; the wealth of Creativity and, most precious, the strength of our Will! Do intently probe our results! For within each and every symbol, comma or simply a dash . . . is embodied our supreme worth – the intensity of our determination and the power of our – ***Focus!***

# SELECTED FINANCIAL DATA

| *(In thousands, except per share and footnote amounts)* | Fiscal Year Ended May 3, 2014[3] | April 27, 2013 | April 28, 2012 | April 30, 2011 | May 1, 2010 |
|---|---|---|---|---|---|
| **SUMMARY OF OPERATIONS:** | | | | | |
| Net sales | **$641,135** | $662,007 | $628,886 | $600,193 | $593,465 |
| Cost of sales | **423,480** | 444,757 | 415,629 | 381,539 | 396,450 |
| Gross profit | **217,655** | 217,250 | 213,257 | 218,654 | 197,015 |
| Selling, general and administrative expenses | **153,220** | 146,223 | 146,169 | 155,885 | 145,159 |
| Interest expense | **660** | 403 | 107 | 99 | 120 |
| Other expense—net | **666** | 173 | 85 | 20 | 351 |
| Income before income taxes | **63,109** | 70,451 | 66,896 | 62,650 | 51,385 |
| Provision for income taxes | **19,474** | 23,531 | 22,903 | 21,896 | 18,532 |
| Net income | **$ 43,635** | $ 46,920 | $ 43,993 | $ 40,754 | $ 32,853 |
| **PER SHARE DATA:** | | | | | |
| Basic earnings per common share[1] | **$ .93** | $ 1.01 | $ .95 | $ .88 | $ .71 |
| Diluted earnings per common share[1] | **.92** | 1.01 | .95 | .88 | .71 |
| Closing stock price | **19.21** | 14.57 | 14.68 | 13.92 | 11.60 |
| Dividends paid on common stock[2] | **—** | 2.55 | — | 2.30 | 1.35 |
| **BALANCE SHEET DATA:** | | | | | |
| Cash and equivalents[2] | **$ 29,932** | $ 18,267 | $ 35,626 | $ 7,372 | $ 68,566 |
| Working capital[2] | **78,618** | 67,504 | 69,818 | 30,930 | 92,898 |
| Property, plant and equipment—net | **59,494** | 57,307 | 56,729 | 55,337 | 53,401 |
| Total assets[2] | **222,841** | 208,642 | 222,988 | 182,810 | 240,359 |
| Long-term debt | **30,000** | 50,000 | — | — | — |
| Deferred income tax liability | **13,873** | 14,327 | 14,214 | 14,548 | 15,597 |
| Shareholders' equity[2] | **106,201** | 70,316 | 121,636 | 80,336 | 141,572 |
| Dividends paid on common stock[2] | **—** | 118,139 | — | 106,314 | 62,295 |

(1) Basic earnings per common share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per common share includes the dilutive effect of stock options.

(2) The Company paid special cash dividends on Common Stock of $118.1 million ($2.55 per share) on December 27, 2012, $106.3 million ($2.30 per share) on February 14, 2011 and $62.3 million ($1.35 per share) on January 22, 2010.

(3) Fiscal 2014 consisted of 53 weeks.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## OVERVIEW

National Beverage Corp. is an acknowledged leader in the development, manufacturing, marketing and sale of a diverse portfolio of flavored beverage products. Our primary market focus is the United States, but our products are also distributed in Canada, Mexico, the Caribbean, Latin America, the Pacific Rim, Asia, Europe and the Middle East. A holding company for various operating subsidiaries, National Beverage Corp. was incorporated in Delaware in 1985 and began trading as a public company on the NASDAQ Stock Market in 1991. In this report, the terms "we," "us," "our," "Company" and "National Beverage" mean National Beverage Corp. and its subsidiaries unless indicated otherwise.

Our brands consist of (i) beverages geared toward the active and health-conscious consumer ("Power+ Brands"), including energy drinks and shots, juices, sparkling waters and enhanced beverages, and (ii) Carbonated Soft Drinks in a variety of flavors as well as regular, diet and reduced-calorie options. In addition, we produce soft drinks for certain retailers ("Allied Brands") that endorse the "Strategic Alliance" concept of having our brands and Allied Brands marketed to effectuate enhanced growth of both. We employ a philosophy that emphasizes vertical integration; our manufacturing model integrates the procurement of raw materials and production of concentrates with the manufacture of finished products in our twelve manufacturing facilities. To service a diverse customer base that includes numerous national retailers as well as thousands of smaller "up-and-down-the-street" accounts, we have developed a hybrid distribution system that promotes and utilizes customer warehouse distribution facilities and our own direct-store delivery fleet plus the direct-store delivery systems of independent distributors and wholesalers.

We consider ourselves to be a leader in the development and sale of flavored beverage products. The National Beverage Corp. brand portfolio contains a wide variety of beverages to meet consumer needs in a multitude of market segments. Our portfolio of Power+ Brands is targeted to consumers seeking healthier and functional alternatives to complement their active lifestyles, and includes LaCroix® and LaCroix Cúrate™ sparkling water products; Rip It® energy drinks and shots; and Everfresh® and Everfresh Premier Varietals™, 100% juice and juice-based products. Our Carbonated Soft Drink flavor development spans 125 years originating with our flagship brands, Shasta® and Faygo®.

Our strategy emphasizes the growth of our products by (i) expanding our focus on healthier and functional beverages tailored toward healthy, active lifestyles, (ii) offering a beverage portfolio of proprietary flavors with distinctive packaging and broad demographic appeal, (iii) supporting the franchise value of regional brands, (iv) appealing to the "quality-value" expectations of the family consumer, and (v) responding to demographic trends by developing innovative products designed to expand distribution.

The majority of our sales are seasonal with the highest volume typically realized during the summer months. As a result, our operating results from one fiscal quarter to the next may not be comparable. Additionally, our operating results are affected by numerous factors, including fluctuations in the costs of raw materials, changes in consumer preference for beverage products, competitive pricing in the marketplace and weather conditions.

## RESULTS OF OPERATIONS

***Net Sales*** Net sales for the fiscal year ended May 3, 2014 ("Fiscal 2014") decreased 3.2% to $641.1 million as compared to $662.0 million for the fiscal year ended April 27, 2013 ("Fiscal 2013"). The lower sales resulted from a 7.5% volume decline in Carbonated Soft Drinks, principally due to extended periods of unfavorable weather conditions and industry-wide consumption decline. This volume decline was partially offset by case volume growth of 8.2% for our Power+ Brands. Average net selling price per case was approximately the same for both years.

Net sales for the fiscal year ended April 27, 2013 increased 5.3% to $662.0 million as compared to $628.9 million for the fiscal year ended April 28, 2012 ("Fiscal 2012"). This sales improvement is due to case volume growth of our Power+ Brands of 5.4% and growth of Carbonated Soft Drinks, which includes Allied Brands, of 6.4%. Average net selling price per case decreased .8% primarily due to changes in product mix.

***Gross Profit*** Gross profit was 33.9% of net sales for Fiscal 2014, which represents a 1.1% margin improvement compared to Fiscal 2013. The gross margin improvement is primarily due to favorable product mix changes and lower raw material costs. Cost of sales decreased 1.7% on a per case basis.

Gross profit was 32.8% of net sales for Fiscal 2013, which represents a 1.1% margin decline compared to Fiscal 2012. The gross margin decline is primarily due to product mix changes. Cost of sales increased .8% on a per case basis.

Shipping and handling costs are included in selling, general and administrative expenses, the classification of which is consistent with many beverage companies. However, our gross margin may not be comparable to companies that include shipping and handling costs in cost of sales. See Note 1 of Notes to Consolidated Financial Statements.

***Selling, General and Administrative Expenses*** Selling, general and administrative expenses were $153.2 million or 23.9% of net sales for Fiscal 2014 compared to $146.2 million or 22.1% of net sales for Fiscal 2013. Fiscal 2014 expenses reflect higher selling and marketing costs, primarily due to increased advertising expenses.

Selling, general and administrative expenses were $146.2 million or 22.1% of net sales for Fiscal 2013 compared to $146.2 million or 23.2% of net sales for Fiscal 2012. Fiscal 2013 expenses reflect higher shipping and handling costs due to increased case volume, offset by reduced marketing and administrative expenses.

***Interest Expense and Other Expense—Net*** Interest expense is comprised of interest on borrowings and fees related to maintaining lines of credit. The Company paid a special cash dividend of $118.1 million ($2.55 per common share) on December 27, 2012 from available cash and borrowings under our credit facilities. Due to increased borrowings, interest expense increased to $660,000 in Fiscal 2014 from $403,000 in Fiscal 2013 and $107,000 in Fiscal 2012. Other expense is net of interest income of $15,000 for Fiscal 2014, $37,000 for Fiscal 2013 and $69,000 for Fiscal 2012. The decline in interest income for Fiscal 2014 and Fiscal 2013 is due to lower average invested balances.

***Income Taxes*** Our effective tax rate would have been approximately 34%* for Fiscal 2014, compared with 33.4% for Fiscal 2013 and 34.2% for Fiscal 2012. The difference between the effective rate and the federal statutory rate of 35% was primarily due to the effects of state income taxes, the manufacturing deduction; and for Fiscal 2014, adjustment of unrecognized tax benefits related to the resolution of certain open tax years, which resulted in a 30.9% tax rate. *See Note 7 of Notes to Consolidated Financial Statements.

## LIQUIDITY AND FINANCIAL CONDITION

***Liquidity and Capital Resources*** Our principal source of funds is cash generated from operations and borrowings available under our credit facilities. At May 3, 2014, we maintained $100 million unsecured revolving credit facilities, of which $30 million of borrowings were outstanding and $2.2 million was used for standby letters of credit. We believe that existing capital resources will be sufficient to meet our liquidity and capital requirements for the next twelve months. See Note 4 of Notes to Consolidated Financial Statements.

We continually evaluate capital projects to expand our production capacity, enhance packaging capabilities or improve efficiencies at our manufacturing facilities. Expenditures for property, plant and equipment amounted to $12.1 million for Fiscal 2014. There were no material capital expenditure commitments at May 3, 2014.

On January 25, 2013, the Company sold 400,000 shares of Special Series D Preferred Stock ("Series D Preferred"), par value $1 per share for an aggregate purchase price of $20 million. On May 2, 2014, the Company redeemed 160,000 shares of Series D Preferred, representing 40% of the amount outstanding, for an aggregate price of $8 million. In conjunction with the partial redemption, the annual dividend rate on the outstanding Series D Preferred was reduced to 2.5% for the twelve month period beginning May 1, 2014. See Note 5 of Notes to Consolidated Financial Statements.

The Company paid special cash dividends on common stock of $118.1 million ($2.55 per share) on December 27, 2012, $106.3 million ($2.30 per share) on February 14, 2011 and $62.3 million ($1.35 per share) on January 22, 2010.

Pursuant to a management agreement, we incurred a fee to Corporate Management Advisors, Inc. ("CMA") of approximately $6.4 million for Fiscal 2014, $6.6 million for Fiscal 2013 and $6.3 million for Fiscal 2012. At May 3, 2014, management fees payable to CMA were $1.6 million. See Note 5 of Notes to Consolidated Financial Statements.

***Cash Flows*** During Fiscal 2014, $52.4 million was provided by operating activities, $12.1 million was used in investing activities and $28.7 million was used in financing activities. Cash provided by operating activities increased $12.1 million primarily due to changes in working capital. Cash used in investing activities increased to $12.1 million reflecting higher capital expenditures in Fiscal 2014. Cash used in financing activities was $28.7 million reflecting $8 million redemption of preferred stock and $20 million repayment of debt.

During Fiscal 2013, $40.3 million was provided by operating activities, which was offset by $9.6 million used in investing activities and $48.0 million used in financing activities. Cash provided by operating activities increased $2.6 million primarily due to increased earnings. Cash used in financing activities increased $48.4 million due to the special dividend payment of $118.1 million in Fiscal 2013, partially offset by $19.7 million in proceeds from the issuance of the Series D Preferred and $50.0 million in net borrowings under credit facilities.

***Financial Position*** During Fiscal 2014, our working capital increased $11.1 million to $78.6 million primarily due to cash generated from operating activities. Trade receivables decreased $5.9 million due to lower sales activity as days sales outstanding remain unchanged at 34.7 days. Inventories increased $4.7 million primarily due to higher quantities related to new products and to support more frequent customer promotions. At May 3, 2014, the current ratio was 2.2 to 1 as compared to 2.1 to 1 at April 27, 2013.

During Fiscal 2013, our working capital decreased $2.3 million to $67.5 million due to a decline in cash resulting from the payment of the special cash dividend. Trade receivables increased $2.5 million, which represents an increase in days sales outstanding from approximately 33.9 days to 34.7 days, and inventories decreased $1.6 million, which represents an improvement in annual inventory turns from 11.0 to 11.2 times. Accounts payable decreased $10.6 million due to the timing of payments to vendors at the end of the fiscal year. At April 27, 2013, the current ratio was 2.1 to 1 as compared to 1.9 to 1 at April 28, 2012.

## CONTRACTUAL OBLIGATIONS

Contractual obligations at May 3, 2014 are payable as follows:

| *(In thousands)* | Total | Less Than 1 Year | 1 to 3 Years | 3 to 5 Years | More Than 5 Years |
|---|---|---|---|---|---|
| Long-term debt | $30,000 | $ — | $30,000 | $ — | $ — |
| Operating leases | 19,548 | 4,768 | 7,248 | 5,055 | 2,477 |
| Purchase commitments | 32,847 | 32,847 | — | — | — |
| Total | $82,395 | $37,615 | $ 37,248 | $5,055 | $2,477 |

As of May 3, 2014, we guaranteed the residual value of certain leased equipment in the amount of $5.3 million. If the proceeds from the sale of such equipment are less than the balance required by the lease when the lease terminates July 31, 2014, the Company shall be required to pay the difference up to such guaranteed amount. The Company expects to have no loss on such guarantee.

We contribute to certain pension plans under collective bargaining agreements and to a discretionary profit sharing plan. Total contributions were $2.7 million for Fiscal 2014, $2.6 million for Fiscal 2013 and $2.5 million for Fiscal 2012. See Note 9 of Notes to Consolidated Financial Statements.

We maintain self-insured and deductible programs for certain liability, medical and workers' compensation exposures. Other long-term liabilities include known claims and estimated incurred but not reported claims not otherwise covered by insurance, based on actuarial assumptions and historical claims experience. Since the timing and amount of claim payments vary significantly, we are not able to reasonably estimate future payments for the specific periods indicated in the table above. Standby letters of credit aggregating $2.2 million have been issued in connection with our self-insurance programs. These standby letters of credit expire through June 2015 and are expected to be renewed.

## OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition.

## CRITICAL ACCOUNTING POLICIES

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. We believe that the critical accounting policies described in the following paragraphs comprise the most significant estimates and assumptions used in the preparation of our 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*** We sell products to a variety of customers and extend credit based on an evaluation of each customer's financial condition, generally without requiring collateral. Exposure to credit losses varies by customer principally due to the financial condition of each customer. We monitor our exposure to credit losses and maintain allowances for anticipated losses based on specific customer circumstances, credit conditions and historical write-offs.

***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 if we believe such assets may be impaired. An impairment loss is recognized if the carrying amount or, for goodwill, the carrying amount of its reporting unit, is greater than its fair value.

***Income Taxes*** Our effective income tax rate is based on estimates 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 to reduce the carrying amounts of deferred tax assets when it is deemed, more likely than not, that the benefit of deferred tax assets will not be realized.

***Insurance Programs*** We maintain self-insured and deductible programs for certain liability, medical and workers' compensation exposures. Accordingly, we accrue for known claims and estimated incurred but not reported claims not otherwise covered by insurance based on actuarial assumptions and historical claims experience.

***Sales Incentives*** We offer various sales incentive arrangements to our customers that require customer performance or achievement of certain sales volume targets. When the incentive is paid in advance, we amortize the amount paid over the period of benefit or contractual sales volume; otherwise, we accrue the expected amount to be paid over the period of benefit or expected sales volume. The recognition of these incentives involves the use of judgment related to performance and sales volume estimates that are made based on historical experience and other factors. Sales incentives are accounted for as a reduction of sales and actual amounts ultimately realized may vary from accrued amounts.

## FORWARD-LOOKING STATEMENTS

National Beverage and its representatives may make written or oral statements relating to future events or results relative to our financial, operational and business performance, achievements, objectives and strategies. These statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 and include statements contained in this report, filings with the Securities and Exchange Commission and other reports or communications to our stockholders. Certain statements including, without limitation, statements containing the words "believes," "anticipates," "intends," "plans," "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 our 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 in acquiring other beverage businesses, success of new product and flavor introductions, fluctuations in the costs of raw materials and packaging supplies, ability to pass along cost increases to our customers, labor strikes or work stoppages or other interruptions in the employment of labor, continued retailer support for our products, changes in consumer preferences and our success in creating products geared toward consumers' tastes, success in implementing business strategies, changes in business strategy or development plans, government regulations, taxes or fees imposed on the sale of our products, unseasonably cold or wet weather conditions and other factors referenced in this report, filings with the Securities and Exchange Commission and other reports or communications to our stockholders. We disclaim 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

***Commodities*** We purchase various raw materials, including aluminum cans, plastic bottles, high fructose corn syrup, corrugated packaging and juice concentrates, the prices of which fluctuate based on commodity market conditions. Our ability to recover increased costs through higher pricing may be limited by the competitive environment in which we operate. At times, we manage our exposure to this risk through the use of supplier pricing agreements that enable us to establish the purchase prices for certain commodities. Additionally, we use derivative financial instruments to partially mitigate our exposure to changes in certain raw material costs.

***Interest Rates*** At May 3, 2014, the Company had $30 million in borrowings outstanding under its credit facilities with a weighted average interest rate of 1.1%. Interest rate hedging products are not currently used to mitigate risk from interest fluctuations. If the interest rate on our debt changed by 100 basis points (1%), our interest expense for Fiscal 2014 would have changed by approximately $400,000.

# CONSOLIDATED BALANCE SHEETS

| (In thousands, except share data) | May 3, 2014 | April 27, 2013 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and equivalents | $ 29,932 | $ 18,267 |
| Trade receivables—net | 58,205 | 64,069 |
| Inventories | 43,914 | 39,234 |
| Deferred income taxes—net | 2,685 | 3,665 |
| Prepaid and other assets | 8,405 | 5,706 |
| Total current assets | 143,141 | 130,941 |
| Property, plant and equipment—net | 59,494 | 57,307 |
| Goodwill | 13,145 | 13,145 |
| Intangible assets | 1,615 | 1,615 |
| Other assets | 5,446 | 5,634 |
| Total assets | $222,841 | $208,642 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 45,606 | $ 44,261 |
| Accrued liabilities | 18,873 | 19,142 |
| Income taxes payable | 44 | 34 |
| Total current liabilities | 64,523 | 63,437 |
| Long-term debt | 30,000 | 50,000 |
| Deferred income taxes—net | 13,873 | 14,327 |
| Other liabilities | 8,244 | 10,562 |
| Shareholders' equity: | | |
| Preferred stock, $1 par value—1,000,000 shares authorized | | |
| Series C—150,000 shares issued | 150 | 150 |
| Series D—240,000 shares (2014) and 400,000 shares (2013) issued, aggregate liquidation preference of $12,000 (2014) and $20,000 (2013) | 240 | 400 |
| Common stock, $.01 par value—75,000,000 shares authorized; 50,367,799 shares (2014) and 50,361,799 shares (2013) issued | 504 | 504 |
| Additional paid-in capital | 42,775 | 50,398 |
| Retained earnings | 80,737 | 37,828 |
| Accumulated other comprehensive loss | (205) | (964) |
| Treasury stock—at cost: | | |
| Series C preferred stock—150,000 shares | (5,100) | (5,100) |
| Common stock—4,032,784 shares | (12,900) | (12,900) |
| Total shareholders' equity | 106,201 | 70,316 |
| Total liabilities and shareholders' equity | $222,841 | $208,642 |

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF INCOME

| *(In thousands, except per share amounts)* | Fiscal Year Ended May 3, 2014 | April 27, 2013 | April 28, 2012 |
|---|---|---|---|
| Net sales | **$641,135** | $662,007 | $628,886 |
| Cost of sales | **423,480** | 444,757 | 415,629 |
| Gross profit | **217,655** | 217,250 | 213,257 |
| Selling, general and administrative expenses | **153,220** | 146,223 | 146,169 |
| Interest expense | **660** | 403 | 107 |
| Other expense—net | **666** | 173 | 85 |
| Income before income taxes | **63,109** | 70,451 | 66,896 |
| Provision for income taxes | **19,474** | 23,531 | 22,903 |
| Net income | **43,635** | 46,920 | 43,993 |
| Less preferred dividends and accretion | **(726)** | (153) | — |
| Earnings available to common shareholders | **$ 42,909** | $ 46,767 | $ 43,993 |
| Earnings per common share: | | | |
| Basic | **$ .93** | $ 1.01 | $ .95 |
| Diluted | **$ .92** | $ 1.01 | $ .95 |
| Weighted average common shares outstanding: | | | |
| Basic | **46,331** | 46,310 | 46,267 |
| Diluted | **46,519** | 46,482 | 46,448 |

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | **May 3, 2014** | April 27, 2013 | April 28, 2012 |
| Net income | **$43,635** | $46,920 | $43,993 |
| Other comprehensive income (loss), net of tax: | | | |
| Cash flow hedges | **610** | (295) | (3,063) |
| Other | **149** | (27) | (330) |
| Total | **759** | (322) | (3,393) |
| Comprehensive income | **$44,394** | $46,598 | $40,600 |

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Fiscal Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | May 3, 2014 | | April 27, 2013 | | April 28, 2012 | |
| *(In thousands)* | Shares | Amount | Shares | Amount | Shares | Amount |
| **SERIES C PREFERRED STOCK** | | | | | | |
| Beginning and end of year | 150 | $ 150 | 150 | $ 150 | 150 | $ 150 |
| **SERIES D PREFERRED STOCK** | | | | | | |
| Beginning of year | 400 | 400 | — | — | — | — |
| Series D preferred (redeemed) issued | (160) | (160) | 400 | 400 | — | — |
| End of year | 240 | 240 | 400 | 400 | — | — |
| **COMMON STOCK** | | | | | | |
| Beginning of year | 50,362 | 504 | 50,322 | 503 | 50,262 | 503 |
| Stock options exercised | 6 | — | 40 | 1 | 60 | — |
| End of year | 50,368 | 504 | 50,362 | 504 | 50,322 | 503 |
| **ADDITIONAL PAID-IN CAPITAL** | | | | | | |
| Beginning of year | | 50,398 | | 30,425 | | 29,725 |
| Series D preferred (redeemed) issued | | (7,722) | | 19,304 | | — |
| Stock options exercised | | 47 | | 238 | | 115 |
| Stock-based compensation | | 95 | | 230 | | 290 |
| Other | | (43) | | 201 | | 295 |
| End of year | | 42,775 | | 50,398 | | 30,425 |
| **RETAINED EARNINGS** | | | | | | |
| Beginning of year | | 37,828 | | 109,200 | | 65,207 |
| Net income | | 43,635 | | 46,920 | | 43,993 |
| Common stock dividends | | — | | (118,139) | | — |
| Preferred stock dividends & accretion | | (726) | | (153) | | — |
| End of year | | 80,737 | | 37,828 | | 109,200 |
| **ACCUMULATED OTHER COMPREHENSIVE LOSS** | | | | | | |
| Beginning of year | | (964) | | (642) | | 2,751 |
| Cash flow hedges | | 610 | | (295) | | (3,063) |
| Other | | 149 | | (27) | | (330) |
| End of year | | (205) | | (964) | | (642) |
| **TREASURY STOCK—SERIES C PREFERRED** | | | | | | |
| Beginning and end of year | 150 | (5,100) | 150 | (5,100) | 150 | (5,100) |
| **TREASURY STOCK—COMMON** | | | | | | |
| Beginning and end of year | 4,033 | (12,900) | 4,033 | (12,900) | 4,033 | (12,900) |
| **TOTAL SHAREHOLDERS' EQUITY** | | $106,201 | | $ 70,316 | | $121,636 |

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | **May 3, 2014** | April 27, 2013 | April 28, 2012 |
| **OPERATING ACTIVITIES:** | | | |
| Net income | **$ 43,635** | $ 46,920 | $ 43,993 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | **11,708** | 11,002 | 10,651 |
| Deferred income tax provision (benefit) | **79** | 172 | (477) |
| Loss on disposal of property, net | **51** | 63 | 7 |
| Stock-based compensation | **95** | 230 | 290 |
| Changes in assets and liabilities: | | | |
| Trade receivables | **5,864** | (2,478) | (5,679) |
| Inventories | **(4,680)** | 1,628 | (7,509) |
| Prepaid and other assets | **(2,548)** | (2,466) | (2,239) |
| Accounts payable | **1,345** | (10,614) | 5,618 |
| Accrued and other liabilities | **(3,167)** | (4,193) | (6,959) |
| Net cash provided by operating activities | **52,382** | 40,264 | 37,696 |
| **INVESTING ACTIVITIES:** | | | |
| Additions to property, plant and equipment | **(12,124)** | (9,693) | (9,905) |
| Proceeds from sale of property, plant and equipment | **62** | 77 | 53 |
| Net cash used in investing activities | **(12,062)** | (9,616) | (9,852) |
| **FINANCING ACTIVITIES:** | | | |
| Dividends paid on common stock | **—** | (118,139) | — |
| Dividends paid on preferred stock | **(659)** | (12) | — |
| (Repayments) borrowings under credit facilities | **(20,000)** | 50,000 | — |
| (Redemption) issuance of preferred stock | **(8,000)** | 19,704 | — |
| Proceeds from stock options exercised | **47** | 239 | 115 |
| Other | **(43)** | 201 | 295 |
| Net cash (used in) provided by financing activities | **(28,655)** | (48,007) | 410 |
| **NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS** | **11,665** | (17,359) | 28,254 |
| **CASH AND EQUIVALENTS—BEGINNING OF YEAR** | **18,267** | 35,626 | 7,372 |
| **CASH AND EQUIVALENTS—END OF YEAR** | **$ 29,932** | $ 18,267 | $ 35,626 |
| **OTHER CASH FLOW INFORMATION:** | | | |
| Interest paid | **$ 723** | $ 341 | $ 95 |
| Income taxes paid | **23,079** | 24,327 | 23,127 |

See accompanying Notes to Consolidated Financial Statements.

National Beverage Corp. develops, manufactures, markets and sells a diverse portfolio of flavored beverage products primarily in North America. Incorporated in Delaware in 1985, National Beverage Corp. is a holding company for various operating subsidiaries. When used in this report, the terms "we," "us," "our," "Company" and "National Beverage" mean National Beverage Corp. and its subsidiaries.

## 1. SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation*** The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") and rules and regulations of the Securities and Exchange Commission. The consolidated financial statements include the accounts of National Beverage Corp. and all subsidiaries. All significant intercompany transactions and accounts have been eliminated. Our fiscal year ends the Saturday closest to April 30 and, as a result, an additional week is added every five or six years. Fiscal 2014 consisted of 53 weeks while Fiscal 2013 and Fiscal 2012 consisted of 52 weeks.

***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 of three months or less.

***Derivative Financial Instruments*** We use derivative financial instruments to partially mitigate our exposure to changes in raw material costs. All derivative financial instruments are recorded at fair value in our Consolidated Balance Sheets. We do not use derivative financial instruments for trading or speculative purposes. Credit risk related to derivative financial instruments is managed by requiring high credit standards for counterparties and frequent cash settlements. See Note 6.

***Earnings Per Common Share*** Basic earnings per common share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated in a similar manner, but includes the dilutive effect of stock options amounting to 188,000 shares in Fiscal 2014, 172,000 shares in Fiscal 2013 and 181,000 shares in Fiscal 2012.

***Fair Value*** The fair value of long-term debt approximates its carrying value due to its variable interest rate and lack of prepayment penalty. The estimated fair values of derivative financial instruments are calculated based on market rates to settle the instruments. These values represent the estimated amounts we would receive upon sale, taking into consideration current market prices and credit worthiness. See Note 6.

***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 value based on the best information available. Estimated fair value is generally measured by discounting future cash flows. Goodwill and intangible assets not subject to amortization are evaluated for impairment annually or sooner if we believe such assets may be impaired. An impairment loss is recognized if the carrying amount or, for goodwill, the carrying amount of its reporting unit, is greater than its fair value.

***Income Taxes*** Our effective income tax rate is based on estimates 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 to reduce the carrying amounts of deferred tax assets when it is deemed, more likely than not, that the benefit of deferred tax assets will not be realized.

***Insurance Programs*** We maintain self-insured and deductible programs for certain liability, medical and workers' compensation exposures. Accordingly, we accrue for known claims and estimated incurred but not reported claims not otherwise covered by insurance based on actuarial assumptions and historical claims experience.

***Intangible Assets*** Intangible assets as of May 3, 2014 and April 27, 2013 consisted of non-amortizable trademarks.

***Inventories*** Inventories are stated at the lower of first-in, first-out cost or market. Inventories at May 3, 2014 were comprised of finished goods of $27.2 million and raw materials of $16.7 million. Inventories at April 27, 2013 were comprised of finished goods of $23.2 million and raw materials of $16.0 million.

***Marketing Costs*** We are involved in a variety of marketing programs, including cooperative advertising programs with customers, to advertise and promote our products to consumers. Marketing costs are expensed when incurred, except for prepaid advertising and production costs which are expensed when the advertising takes place. Marketing costs, which are included in selling, general and administrative expenses, totaled $50.2 million in Fiscal 2014, $44.6 million in Fiscal 2013 and $45.8 million in Fiscal 2012.

***New Accounting Pronouncement*** In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to receive in exchange for goods or services. ASU 2014-09 is effective for our fiscal year beginning April 30, 2017. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

***Property, Plant and Equipment*** Property, plant and equipment are recorded at cost. Additions, replacements and betterments are capitalized, while maintenance and repairs that do not extend the useful life of an asset are expensed as incurred. Depreciation is recorded using 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. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvement. 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.

***Revenue Recognition*** Revenue from product sales is recognized when title and risk of loss pass to the customer, which generally occurs upon delivery. Our policy is not to allow the return of products once they have been accepted by the customer. However, on occasion, we have accepted returns or issued credit to customers, primarily for damaged goods. The amounts have been immaterial and, accordingly, we do not provide a specific valuation allowance for sales returns.

***Sales Incentives*** We offer various sales incentive arrangements to our customers that require customer performance or achievement of certain sales volume targets. When the incentive is paid in advance, we amortize the amount paid over the period of benefit or contractual sales volume; otherwise, we accrue the expected amount to be paid over the period of benefit or expected sales volume. The recognition of these incentives involves the use of judgment related to performance and sales volume estimates that are made based on historical experience and other factors. Sales incentives are accounted for as a reduction of sales and actual amounts ultimately realized may vary from accrued amounts.

***Segment Reporting*** We operate as 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. We do not accumulate revenues by product classification and, therefore, it is impractical to present such information.

***Shipping and Handling Costs*** Shipping and handling costs are reported in selling, general and administrative expenses in the accompanying consolidated statements of income. Such costs aggregated $44.4 million in Fiscal 2014, $44.2 million in Fiscal 2013 and $41.8 million in Fiscal 2012. Although our classification is consistent with many beverage companies, our gross margin may not be comparable to companies that include shipping and handling costs in cost of sales.

***Stock-Based Compensation*** Compensation expense for stock-based compensation awards is recognized over the vesting period based on the grant-date fair value estimated using the Black-Scholes model. See Note 8.

***Trade Receivables*** We record trade receivables at net realizable value, which includes an appropriate allowance for doubtful accounts. We extend credit based on an evaluation of each customer's financial condition, generally without requiring collateral. Exposure to credit losses varies by customer principally due to the financial condition of each customer. We monitor our exposure to credit losses and maintain allowances for anticipated losses based on specific customer circumstances, credit conditions and historical write-offs. Activity in the allowance for doubtful accounts was as follows:

| *(In thousands)* | **Fiscal 2014** | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|
| Balance at beginning of year | **$ 454** | $399 | $452 |
| Net charge to expense | **95** | 96 | 4 |
| Net charge-off | **(150)** | (41) | (57) |
| Balance at end of year | **$ 399** | $454 | $399 |

As of May 3, 2014 and April 27, 2013, we did not have any customer that comprised more than 10% of trade receivables. No one customer accounted for more than 10% of net sales during any of the last three fiscal years.

***Use of Estimates*** The preparation of financial statements in conformity with United States 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 anticipated future actions, actual results may vary from reported amounts.

## 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of May 3, 2014 and April 27, 2013 consisted of the following:

| *(In thousands)* | 2014 | 2013 |
|---|---|---|
| Land | $ 9,779 | $ 9,779 |
| Buildings and improvements | 51,494 | 49,391 |
| Machinery and equipment | 148,699 | 141,314 |
| Total | 209,972 | 200,484 |
| Less accumulated depreciation | (150,478) | (143,177) |
| Property, plant and equipment—net | $ 59,494 | $ 57,307 |

Depreciation expense was $9.8 million for Fiscal 2014, $9.0 million for Fiscal 2013 and $8.5 million for Fiscal 2012.

## 3. ACCRUED LIABILITIES

Accrued liabilities as of May 3, 2014 and April 27, 2013 consisted of the following:

| *(In thousands)* | 2014 | 2013 |
|---|---|---|
| Accrued compensation | $ 7,049 | $ 8,051 |
| Accrued promotions | 3,812 | 3,912 |
| Accrued insurance | 2,238 | 1,451 |
| Other | 5,774 | 5,728 |
| Total | $18,873 | $19,142 |

## 4. DEBT

At May 3, 2014, a subsidiary of the Company maintained unsecured revolving credit facilities with banks aggregating $100 million (the “Credit Facilities”). The Credit Facilities expire from November 22, 2015 to April 30, 2016 and current borrowings bear interest at .9% above one-month LIBOR (1.1% at May 3, 2014). Borrowings outstanding under the Credit Facilities were $30 million at May 3, 2014 and $50 million at April 27, 2013. At May 3, 2014, $2.2 million of the Credit Facilities were used for standby letters of credit and $67.8 million were available for borrowings.

The Credit Facilities require the subsidiary to maintain certain financial ratios, principally debt to net worth and debt to EBITDA (as defined in the Credit Facilities), and contain other restrictions, none of which are expected to have a material effect on our operations or financial position. At May 3, 2014, we were in compliance with all loan covenants.

## 5. CAPITAL STOCK AND TRANSACTIONS WITH RELATED PARTIES

The Company paid special cash dividends on common stock of $118.1 million ($2.55 per share) on December 27, 2012, $106.3 million ($2.30 per share) on February 14, 2011 and $62.3 million ($1.35 per share) on January 22, 2010.

On January 25, 2013, the Company sold 400,000 shares of Special Series D Preferred Stock, par value $1 per share (“Series D Preferred”) for an aggregate purchase price of $20 million. Series D Preferred has a liquidation preference of $50 per share and accrues dividends on this amount at an annual rate of 3% through April 30, 2014 and, thereafter, at an annual rate equal to 370 basis points above the 3-Month LIBOR. Dividends are cumulative and payable quarterly. Accrued dividends at May 3, 2014 and April 27, 2013 were $90,000 and $141,000, respectively. The Series D Preferred is nonvoting and redeemable at the option of the Company beginning May 1, 2014 at $50 per share. The net proceeds of $19.7 million were used to repay borrowings under the Credit Facilities. In addition, the Company has 150,000 shares of Series C Preferred Stock, par value $1 per share, which are held as treasury stock and, therefore, such shares have no liquidation value.

On May 2, 2014, the Company redeemed 160,000 shares of Series D Preferred, representing 40% of the amount outstanding, for an aggregate price of $8 million plus accrued dividends. In connection therewith, the Company accreted and charged to retained earnings $118,000 of original issuance costs, which was deducted from income available to common shareholders for earnings per share calculation. In conjunction with the partial redemption, the annual dividend rate on the outstanding Series D Preferred was reduced to 2.5% for the twelve month period beginning May 1, 2014. In evaluating the impact of the rate change, the Company determined that the related fair value change was immaterial and that no adjustment was required.

In April 2012, the Board of Directors authorized an increase in the Company's Stock Buyback Program from 800,000 to 1.6 million shares of common stock. As of May 3, 2014, 502,060 shares were purchased under the program and 1,097,940 shares were available for purchase. There were no shares purchased during the last three fiscal years.

The Company is a party to a management agreement with Corporate Management Advisors, Inc. ("CMA"), a corporation owned by our Chairman and Chief Executive Officer. This agreement was originated in 1991 for the efficient use of management of two public companies at the time. In 1994, one of those public entities, through a merger, no longer was managed in this manner. Under the terms of the agreement, CMA provides, subject to the direction and supervision of the Board of Directors of the Company, (i) senior corporate functions (including supervision of the Company's financial, legal, executive recruitment, internal audit and management information systems departments) as well as the services of a Chief Executive Officer and Chief Financial Officer, and (ii) services in connection with acquisitions, dispositions and financings by the Company, including identifying and profiling acquisition candidates, negotiating and structuring potential transactions and arranging financing for any such transaction. CMA, through its personnel, also provides, to the extent possible, the stimulus and creativity to develop an innovative and dynamic persona for the Company, its products and corporate image. In order to fulfill its obligations under the management agreement, CMA employs numerous individuals, whom, acting as a unit, provide management, administrative and creative functions for the Company. The management agreement provides that the Company will pay CMA an annual base fee equal to one percent of the consolidated net sales of the Company, and further provides that the Compensation and Stock Option Committee and the Board of Directors may from time to time award additional incentive compensation to CMA. The Board of Directors on numerous occasions contemplated incentive compensation and, while shareholder value has increased over 2,000% since the inception of this agreement, no incentive compensation has been paid. We incurred management fees to CMA of $6.4 million for Fiscal 2014, $6.6 million for Fiscal 2013 and $6.3 million for Fiscal 2012. Included in accounts payable were amounts due CMA of $1.6 million at May 3, 2014 and $3.1 million at April 27, 2013.

## 6. DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, we enter into aluminum swap contracts to partially mitigate our exposure to changes in the cost of aluminum cans. Such financial instruments are designated and accounted for as a cash flow hedge. Accordingly, gains or losses attributable to the effective portion of the cash flow hedge are reported in Accumulated Other Comprehensive Income (Loss) ("AOCI") and reclassified into earnings through cost of sales in the period in which the hedged transaction affects earnings. The ineffective portion of the change in fair value of our cash flow hedge was immaterial. The following summarizes the gains (losses) recognized in the Consolidated Statements of Income and AOCI relative to the cash flow hedge for Fiscal 2014, Fiscal 2013 and Fiscal 2012:

| *(In thousands)* | **Fiscal 2014** | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|
| Recognized in AOCI: | | | |
| Loss before income taxes | **$(1,059)** | $(2,521) | $(4,484) |
| Less income tax benefit | **(393)** | (935) | (1,642) |
| Net | **(666)** | (1,586) | (2,842) |
| Reclassified from AOCI to cost of sales: | | | |
| (Loss) gain before income taxes | **(2,028)** | (2,060) | 290 |
| Less income tax (benefit) provision | **(752)** | (769) | 69 |
| Net | **(1,276)** | (1,291) | 221 |
| Net change to AOCI | **$ 610** | $ (295) | $(3,063) |

As of May 3, 2014, the notional amount of our outstanding aluminum swap contracts was $2.3 million and, assuming no change in the commodity prices, $5,000 of unrealized gain before tax will be reclassified from AOCI and recognized in earnings over the next month. See Note 1.

As of May 3, 2014, the fair value of the derivative asset was $5,000, which was included in prepaid and other assets. As of April 27, 2013, the fair value of the derivative liability was $964,000, which was included in accrued liabilities. Such valuation does not entail a significant amount of judgment and the inputs that are significant to the fair value measurement are Level 2 as defined by the fair value hierarchy as they are observable market based inputs or unobservable inputs that are corroborated by market data.

## 7. INCOME TAXES

The provision (benefit) for income taxes consisted of the following:

| *(In thousands)* | **Fiscal 2014** | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|
| Current | **$19,395** | $23,359 | $23,380 |
| Deferred | **79** | 172 | (477) |
| Total | **$19,474** | $23,531 | $22,903 |

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 to reduce the carrying amounts of deferred tax assets when it is deemed more likely than not that the benefit of deferred tax assets will not be realized. Deferred tax assets and liabilities as of May 3, 2014 and April 27, 2013 consisted of the following:

| *(In thousands)* | **2014** | 2013 |
|---|---|---|
| Deferred tax assets: | | |
| Accrued expenses and other | **$ 4,126** | $ 5,241 |
| Inventory and amortizable assets | **400** | 355 |
| Total deferred tax assets | **4,526** | 5,596 |
| Deferred tax liabilities: | | |
| Property | **15,616** | 16,159 |
| Intangibles and other | **98** | 99 |
| Total deferred tax liabilities | **15,714** | 16,258 |
| Net deferred tax liabilities | **$11,188** | $10,662 |
| Current deferred tax assets—net | **$ 2,685** | $ 3,665 |
| Noncurrent deferred tax liabilities—net | **$13,873** | $14,327 |

The reconciliation of the statutory federal income tax rate to our effective tax rate is as follows:

| | **Fiscal 2014*** | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|
| Statutory federal income tax rate | **35.0%** | 35.0% | 35.0% |
| State income taxes, net of federal benefit | **2.3** | 1.6 | 2.7 |
| Manufacturing deduction benefit | **(3.0)** | (3.1) | (3.1) |
| Adjustment of unrecognized tax benefit | **(3.3)** | (.2) | (.1) |
| Other differences | **(.1)** | .1 | (.3) |
| Effective income tax rate | **30.9%** | 33.4% | 34.2% |

*During April 2014, the Company reached an agreement with the Internal Revenue Service with respect to its review of the Company's federal income tax returns for the three years ended April 2013. No material adjustments were proposed and, accordingly, the Company adjusted the related unrecognized tax benefits during the fourth quarter of Fiscal 2014.

As of May 3, 2014, the gross amount of unrecognized tax benefits was $2.1 million and $2.1 million was recognized as a tax benefit in Fiscal 2014. If we were to prevail on all uncertain tax positions, the net effect would be to reduce our tax expense by approximately $1.4 million. A reconciliation of the changes in the gross amount of unrecognized tax benefits, which amounts are included in other liabilities in the accompanying consolidated balance sheets, is as follows:

| *(In thousands)* | **Fiscal 2014** | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|
| Beginning balance | **$ 4,349** | $4,548 | $4,687 |
| Increases due to current period tax positions | **268** | 415 | 408 |
| Decreases due to lapse of statute of limitations and audit resolutions | **(2,494)*** | (614) | (547) |
| Ending balance | **$ 2,123** | $4,349 | $4,548 |

*Includes $1,907 related to the Internal Revenue Service review of the Company's federal income tax returns for the three years ended April 2013 noted above.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of May 3, 2014, unrecognized tax benefits included accrued interest of $351,000, of which approximately $163,000 was recognized as a tax benefit in Fiscal 2014.

We file annual income tax returns in the United States and in various state and local jurisdictions. A number of years may elapse before an uncertain tax position, for which we have unrecognized tax benefits, is resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our unrecognized tax benefits reflect the most probable outcome. We adjust these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances. The resolution of any particular uncertain tax position could require the use of cash and an adjustment to our provision for income taxes in the period of resolution. Federal income tax returns for fiscal years subsequent to 2013 are subject to examination. Generally, the income tax returns for the various state jurisdictions are subject to examination for fiscal years ending after fiscal 2009.

## 8. STOCK-BASED COMPENSATION

Our stock-based compensation program is a broad-based program designed to attract and retain employees while also aligning employees' interests with the interests of the stockholders.

The 1991 Omnibus Incentive Plan (the "Omnibus Plan") provides for compensatory awards consisting of (i) stock options or stock awards for up to 4,800,000 shares of common stock, (ii) stock appreciation rights, dividend equivalents, other stock-based awards in amounts up to 4,800,000 shares of common stock and (iii) performance awards consisting of any combination of the above. The Omnibus Plan is designed to provide an incentive to officers and certain other key employees and consultants by making available to them an opportunity to acquire a proprietary interest or to increase such interest in National Beverage. The number of shares or options which may be issued under stock-based awards to an individual is limited to 1,680,000 during any year. Awards may be granted for no cash consideration or such minimal cash consideration as may be required by law. Options generally have an exercise price equal to the fair market value of our common stock on the date of grant, vest over a five-year period and expire after ten years.

The Special Stock Option Plan provides for the issuance of stock options to purchase up to an aggregate of 1,800,000 shares of common stock. Options may be granted for such consideration as determined by the Board of Directors. The vesting schedule and exercise price of these options are tied to the recipient's ownership level of common stock and the terms generally allow for the reduction in exercise price upon each vesting period. Also, the Board of Directors authorized the issuance of options to purchase up to 50,000 shares of common stock to be issued at the direction of the Chairman.

The Key Employee Equity Partnership Program ("KEEP Program") provides for the granting of stock options to purchase up to 240,000 shares of common stock to key employees, consultants, directors and officers. Participants who purchase shares of 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 forfeited in the event of the sale of shares used to acquire such options. Options are granted at an initial exercise price of 60% of the purchase price paid for the shares acquired and the exercise price reduces to the stock par value at the end of the six-year vesting period.

We account for stock options under the fair value method of accounting using a Black-Scholes valuation model to estimate the stock option fair value at date of grant. The fair value of stock options is amortized to expense over the vesting period. Stock options granted were 5,245 KEEP shares in Fiscal 2014, 2,000 KEEP shares in Fiscal 2013 and 3,000 KEEP shares in Fiscal 2012. The weighted average Black-Scholes fair value assumptions for stock options granted are as follows: weighted average expected life of 8 years for Fiscal 2014, 8 years for Fiscal 2013 and 8 years for Fiscal 2012; weighted average expected volatility of 35.8% for Fiscal 2014, 38.1% for Fiscal 2013 and 42.9% for Fiscal 2012; weighted average risk free interest rates of 1.9% for Fiscal 2014, 1.6% for Fiscal 2013 and 2.5% for Fiscal 2012; and expected dividend yield of 4.6% for Fiscal 2014, 5.0% for Fiscal 2013 and 5.3% for Fiscal 2012. The expected life of stock options was estimated based on historical experience. The expected volatility was estimated based on historical stock prices for a period consistent with the expected life of stock options. The risk free interest rate was based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of stock options. Forfeitures were estimated based on historical experience.

The following is a summary of stock option activity for Fiscal 2014:

| | Number of Shares | Price[(a)] |
|---|---|---|
| Options outstanding, beginning of year | 441,810 | $6.86 |
| Granted | 5,245 | 7.42 |
| Exercised | (6,000) | 7.87 |
| Cancelled | (36,700) | 7.74 |
| Options outstanding, end of year | 404,355 | $6.67 |
| Options exercisable, end of year | 269,169 | $5.69 |

(a) Weighted average exercise price.

Stock-based compensation expense was $95,000 for Fiscal 2014, $230,000 for Fiscal 2013 and $290,000 for Fiscal 2012. The total fair value of shares vested was $90,000 for Fiscal 2014, $453,000 for Fiscal 2013 and $513,000 for Fiscal 2012. The total intrinsic value for stock options exercised was $76,000 for Fiscal 2014, $406,000 for Fiscal 2013 and $758,000 for Fiscal 2012. Net cash proceeds from the exercise of stock options were $47,000 for Fiscal 2014, $239,000 for Fiscal 2013 and $115,000 for Fiscal 2012. Stock-based income tax benefits aggregated $17,000 for Fiscal 2014, $201,000 for Fiscal 2013 and $295,000 for Fiscal 2012. The weighted average fair value for stock options granted was $12.50 for Fiscal 2014, $8.76 for Fiscal 2013 and $8.16 for Fiscal 2012.

As of May 3, 2014, unrecognized compensation expense related to the unvested portion of our stock options was $262,000, which is expected to be recognized over a weighted average period of 2.7 years. The weighted average remaining contractual term and the aggregate intrinsic value for options outstanding as of May 3, 2014 was 3.9 years and $5.1 million, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options exercisable as of May 3, 2014 was 3.0 years and $3.6 million, respectively.

We have a stock purchase plan which provides for the purchase of up to 1,536,000 shares of common stock by employees who (i) have been employed for at least two years, (ii) are not part-time employees and (iii) are not owners of five percent or more of our common stock. As of May 3, 2014, no shares have been issued under the plan.

## 9. PENSION PLANS

The Company contributes to certain pension plans under collective bargaining agreements and to a discretionary profit sharing plan. Total contributions (including contributions to multi-employer plans reflected below) were $2.7 million for Fiscal 2014, $2.6 million for Fiscal 2013 and $2.5 million for Fiscal 2012.

The Company participates in various multi-employer defined benefit pension plans covering certain employees whose employment is covered under collective bargaining agreements. Under the Pension Protection Act ("PPA"), if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Company chooses to stop participating in the multi-employer plan, the Company could be required to pay the plan a withdrawal liability based on the underfunded status of the plan.

Summarized below is certain information regarding the Company's participation in significant multi-employer pension plans including the financial improvement plan or rehabilitation plan status ("FIP/RP Status"). The most recent PPA zone status available in Fiscal 2014 and Fiscal 2013 is for the plans' years ending December 31, 2012 and 2011, respectively.

| Pension Fund | PPA Zone Status Fiscal 2014 | PPA Zone Status Fiscal 2013 | FIP/RP Status | Surcharge Imposed |
|---|---|---|---|---|
| Central States, Southeast and Southwest Areas Pension Plan (EIN no. 36-6044243) (the "CSSS Fund") | **Red** | Red | Implemented | Yes |
| Western Conference of Teamsters Pension Trust Fund (EIN no. 91-6145047) (the "WCT Fund") | **Green** | Green | Not applicable | No |

For the plan years ended December 31, 2012 and December 31, 2011, respectively, the Company was not listed in the pension trust fund forms 5500 as providing more than 5% of the total contributions for the plans. The collective bargaining agreements covering the above pension trust funds expire on October 18, 2016 for the CSSS Fund and May 14, 2016 for the WCT Fund.

The Company's contributions for all multi-employer pension plans for the last three fiscal years are as follows:

| *(In thousands)* Pension Fund | **Fiscal 2014** | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|
| CSSS Fund | **$1,079** | $1,051 | $ 944 |
| WCT Fund | **476** | 471 | 455 |
| Other multi-employer pension funds | **295** | 262 | 244 |
| Total | **$1,850** | $1,784 | $1,643 |

## 10. COMMITMENTS AND CONTINGENCIES

We lease buildings, machinery and equipment under various non-cancelable operating lease agreements expiring at various dates through 2023. Certain of these leases contain scheduled rent increases and/or renewal options. Contractual rent increases are taken into account when calculating the minimum lease payment and recognized on a straight-line basis over the lease term. Rent expense under operating lease agreements totaled approximately $7.9 million for Fiscal 2014, $8.9 million for Fiscal 2013 and $9.3 million for Fiscal 2012.

Our minimum lease payments under non-cancelable operating leases as of May 3, 2014 were as follows:

| *(In thousands)* | |
|---|---|
| Fiscal 2015 | $ 4,768 |
| Fiscal 2016 | 3,829 |
| Fiscal 2017 | 3,419 |
| Fiscal 2018 | 2,700 |
| Fiscal 2019 | 2,355 |
| Thereafter | 2,477 |
| Total minimum lease payments | $19,548 |

As of May 3, 2014, we guaranteed the residual value of certain leased equipment in the amount of $5.3 million. If the proceeds from the sale of such equipment are less than the balance required by the lease when the lease terminates July 31, 2014, the Company shall be required to pay the difference up to such guaranteed amount. The Company expects to have no loss on such guarantee.

We enter into various agreements with suppliers for the purchase of raw materials, the terms of which may include variable or fixed pricing and minimum purchase quantities. As of May 3, 2014, we had purchase commitments for raw materials of $32.8 million for Fiscal 2015.

From time to time, we are a party to various litigation matters arising in the ordinary course of business. We do not expect the ultimate disposition of such matters to have a material adverse effect on our consolidated financial position or results of operations.

## 11. QUARTERLY FINANCIAL DATA (UNAUDITED)

| *(In thousands, except per share amounts)* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter(1) |
|---|---|---|---|---|
| **FISCAL 2014** | | | | |
| Net sales | **$172,353** | **$167,666** | **$136,774** | **$164,342** |
| Gross profit | **58,749** | **58,830** | **44,688** | **55,388** |
| Net income | **12,070** | **12,497** | **7,136** | **11,932** |
| Earnings per common share—basic | **$ .26** | **$ .27** | **$ .15** | **$ .25** |
| Earnings per common share—diluted | **$ .26** | **$ .27** | **$ .15** | **$ .25** |
| **FISCAL 2013** | | | | |
| Net sales | $182,849 | $166,568 | $144,723 | $167,867 |
| Gross profit | 58,293 | 54,591 | 46,353 | 58,013 |
| Net income | 14,392 | 12,017 | 8,414 | 12,097 |
| Earnings per common share—basic | $ .31 | $ .26 | $ .18 | $ .26 |
| Earnings per common share—diluted | $ .31 | $ .26 | $ .18 | $ .26 |

(1) The fourth quarter of Fiscal 2014 consisted of 14 weeks while other quarters consisted of 13 weeks.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of National Beverage Corp. as of May 3, 2014 and April 27, 2013 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended May 3, 2014. We also have audited National Beverage Corp.'s internal control over financial reporting as of May 3, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992. National Beverage Corp.'s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Beverage Corp. as of May 3, 2014 and April 27, 2013 and the results of their operations and their cash flows for each of the years in the three-year period ended May 3, 2014, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, National Beverage Corp. maintained, in all material respects, effective internal control over financial reporting as of May 3, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992.

McGladrey LLP

**McGladrey LLP**
West Palm Beach, Florida
July 17, 2014

# MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of National Beverage Corp., par value $.01 per share, ("Common Stock") is listed on The NASDAQ Global Select Market under the symbol "FIZZ". The following table shows the range of high and low prices per share of the Common Stock for the fiscal quarters indicated:

| | Fiscal Year Ended | | | |
|---|---|---|---|---|
| | **May 3, 2014** | | April 27, 2013 | |
| | **High** | **Low** | High | Low |
| First Quarter | **$18.66** | **$14.48** | $15.85 | $13.57 |
| Second Quarter | **$18.96** | **$15.63** | $15.83 | $14.05 |
| Third Quarter | **$21.71** | **$18.06** | $17.75 | $13.62 |
| Fourth Quarter | **$22.26** | **$18.58** | $14.72 | $13.21 |

At July 8, 2014, there were approximately 6,200 holders of our Common Stock, the majority of which hold their shares in the names of various dealers and/or clearing agencies.

The Company paid special cash dividends on Common Stock of $118.1 million ($2.55 per share) on December 27, 2012, $106.3 million ($2.30 per share) on February 14, 2011 and $62.3 million ($1.35 per share) on January 22, 2010.

In April 2012, the Board of Directors authorized an increase in the Company's Stock Buyback Program from 800,000 to 1.6 million shares of Common Stock. As of May 3, 2014, 502,060 shares were purchased under the program and 1,097,940 shares were available for purchase. There were no shares of Common Stock purchased during the last three fiscal years.

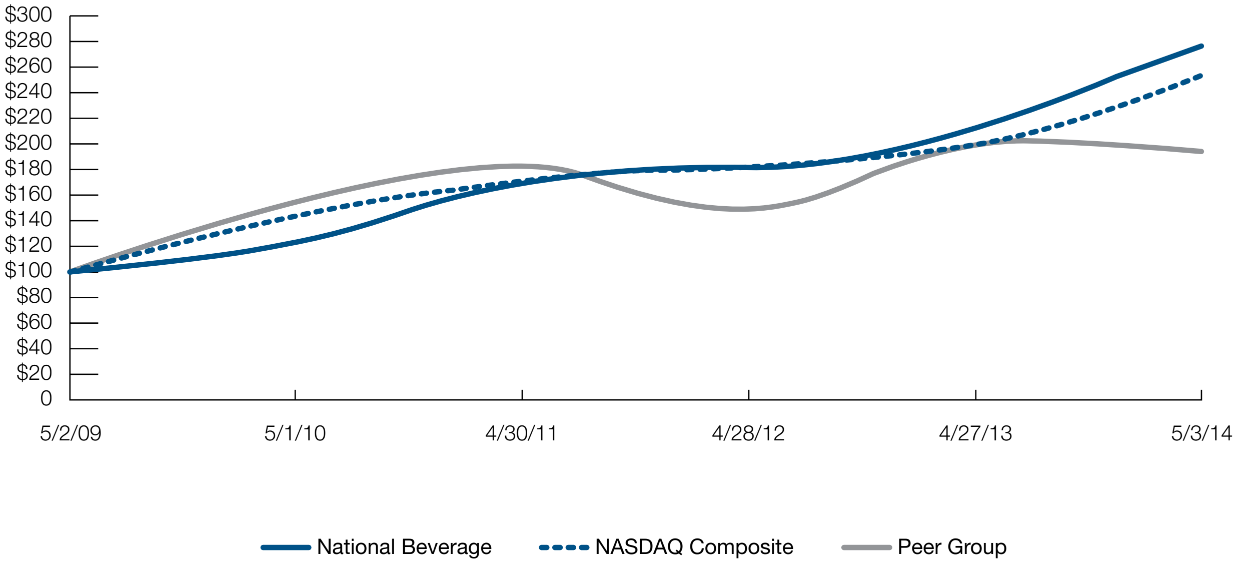
On January 25, 2013, the Company sold 400,000 shares of Special Series D Preferred Stock, par value $1 per share ("Series D Preferred") for an aggregate purchase price of $20 million. Series D Preferred has a liquidation preference of $50 per share and accrues dividends on this amount at an annual rate of 3% through April 30, 2014 and, thereafter, at an annual rate equal to 370 basis points above the 3-Month LIBOR. Dividends are cumulative and payable quarterly. The Series D Preferred is nonvoting and redeemable at the option of the Company beginning May 1, 2014 at $50 per share. Upon a change of control, as such term is defined in the Certificate of Designation of the Special Series D Preferred Stock, the holder shall have the right to convert the Series D Preferred into shares of Common Stock at a conversion price equal to the tender price per share offered to the holders of the Common Stock. The net proceeds of $19.7 million were used to repay borrowings under the Credit Facilities. The Series D Preferred was issued by the Company pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

On May 2, 2014, the Company redeemed 160,000 shares of Series D Preferred, representing 40% of the amount outstanding, for an aggregate price of $8 million plus accrued dividends. In conjunction with the partial redemption, the annual dividend rate on the outstanding Series D Preferred was reduced to 2.5% for the twelve-month period beginning May 1, 2014.

# PERFORMANCE GRAPH

The following graph shows a comparison of the five-year cumulative returns of an investment of $100 cash on May 2, 2009, assuming reinvestment of dividends, in (i) Common Stock, (ii) the NASDAQ Composite Index and (iii) a Company-constructed peer group consisting of Coca-Cola Bottling Company Consolidated and Cott Corporation. Based on the cumulative total return below, an investment in our Common Stock on May 2, 2009 provided a compounded annual return of approximately 24.1% as of May 3, 2014.

Comparison of 5-Year Cumulative Total Return
among National Beverage Corp., the NASDAQ Composite Index, and a Peer Group




| | 5/2/09 | 5/1/10 | 4/30/11 | 4/28/12 | 4/27/13 | **5/3/14** |
|---|---|---|---|---|---|---|
| National Beverage Corp. | $100.00 | $122.56 | $172.20 | $181.61 | $211.11 | **$278.34** |
| NASDAQ Composite | 100.00 | 144.47 | 170.25 | 183.72 | 199.01 | **253.53** |
| Peer Group | 100.00 | 155.94 | 181.56 | 148.70 | 200.44 | **195.68** |

# CORPORATE DATA

### DIRECTORS

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

**Joseph G. Caporella**
President
National Beverage Corp.

**Cecil D. Conlee***
Founding Partner
CGR Advisors

**Samuel C. Hathorn, Jr.***
Retired Chief Executive Officer
Trendmaker Development Co.

**Stanley M. Sheridan***
Retired President
Faygo Beverages, Inc.

*Member Audit Committee

### CORPORATE MANAGEMENT

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

**Joseph G. Caporella**
President

**George R. Bracken**
Executive Vice President–
Finance

**Dean A. McCoy**
Senior Vice President–
Operational Guidance

**Gregory P. Cook**
Vice President–Controller &
Chief Accounting Officer

**Brent R. Bott**
Executive Director–
Consumer Marketing

**Gregory J. Kwederis**
Executive Director–
Beverage Analyst

**Timothy C. Barker**
Senior Director–Strategic IT

**Vanessa C. Walker**
Senior Director–
Strategic Brand Management

**Richard S. Berkes**
Director–Risk Management

**Glenn G. Bryan**
Director–Tax

### SUBSIDIARY MANAGEMENT

**Michael J. Bahr**
Executive Vice President
Shasta West

**James Bolton**
Executive Vice President
PACO, Inc.

**Alan A. Chittaro**
Executive Vice President
Faygo Beverages, Inc.

**Alan D. Domzalski**
Executive Vice President
Sundance Beverage Company

**James H. Erwin III**
Executive Vice President–Sales
Shasta Beverages, Inc.

**Stephen Flis**
Executive Vice President
Shasta Sweetener, Inc.

**Brian M. Gaggin**
Executive Vice President
National Retail Brands

**Arthur Hanrehan**
Executive Vice President
National BevPak

**James M. Jones**
Executive Vice President
Shasta Foodservice

**Kevin B. Swift**
Senior Vice President
La Croix Beverages Group

**John F. Hlebica**
Vice President
Shasta Beverages International

**Chad Palma**
Vice President
BevCo Sales

**Worth B. Shuman III**
Vice President
Military Sales

### SUBSIDIARIES

BevCo Sales, Inc.
Beverage Corporation Intl., Inc.
Big Shot Beverages, Inc.
Everfresh Beverages, Inc.
Faygo Beverages, Inc.
Home Juice Corp.
National Beverage Vending Company
National Retail Brands, Inc.
NewBevCo, Inc.
NutraFizz Products Corp.
PACO, Inc.
Shasta Beverages, Inc.
Shasta Beverages Intl., Inc.
Shasta Sales, Inc.
Shasta Sweetener Corp.
Shasta West, Inc.
Sundance Beverage Company

### CORPORATE OFFICES

8100 Southwest Tenth Street
Fort Lauderdale, FL 33324
954-581-0922

### ANNUAL MEETING

The Annual Meeting of Shareholders will be held on Friday, October 3, 2014 at 2:00 p.m. local time at the Hyatt Regency Orlando International Airport, 9300 Jeff Fuqua Boulevard, Orlando, FL 32827.

### FINANCIAL AND OTHER INFORMATION

Copies of National Beverage Corp.'s Annual Report, Annual Report on Form 10-K and supplemental quarterly financial data are available free of charge on our website or contact our Shareholder Relations department at the Company's corporate address or at 877-NBC-FIZZ (877-622-3499).

Earnings and other financial results, corporate news and other Company information are available on National Beverage's website at www.nationalbeverage.com.

### STOCK EXCHANGE LISTING

Common Stock is listed on The NASDAQ Global Select Market–symbol *FIZZ*.

### TRANSFER AGENT AND REGISTRAR

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250 Royall Street
Canton, MA 02021
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www.computershare.com/investor

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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West Palm Beach, FL

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