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| *May 7, 2004* |

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**1. Anheuser, SAB Miller Now Both Co-Holders of China's Harbin**

By Desiree J. Hanford – *Dow Jones Newswires*

May 3, 2004

ST. LOUIS -- In nearly matching archrival SABMiller PLC's (O.SAB) stake in China's Harbin Brewery Group Ltd. (0249.HK), Anheuser-Busch Cos. (BUD) creates an intriguing situation in the world's largest beer-consuming market.

Anheuser-Busch announced Sunday that it bought a 29% stake in Harbin, China's fourth-largest brewery and the maker of Hapi beer, for $139 million, or 1.08 billion in Hong Kong dollars. Harbin operates mainly in northeast China.

SABMiller bought a 29.6% stake in Harbin on June 30 for about $87 million, or 675 million in Hong Kong dollars.

Analysts estimate that Harbin has between a 4% and 5% market share in China.

Anheuser-Busch's purchase gives it more exposure to a "growing beer market," Legg Mason analyst Mark Swartzberg said in a research note.

"The move is also interesting, in our view, because it is evidently preemptive vis-a-vis SABMiller, another global major and one who is also increasing its exposure to China," Swartzberg said.

Swartzberg doesn't own shares of Anheuser-Busch or SABMiller. Legg Mason doesn't do investment banking work for either brewer.

Anheuser-Busch and SABMiller declined to comment.

China is a potentially lucrative market for brewers. Beer volumes in China have been growing between 5% and 6% annually, compared with about 1% in the U.S., Merrill Lynch analyst Christine Farkas said in a research note.

The Harbin stake "may add modestly" to Anheuser-Busch's equity income, Farkas estimates.

Farkas doesn't own shares of Anheuser-Busch. Merrill Lynch makes a market in Anheuser-Busch, it was a manager of public offering for the brewer in the last 12 months, and Anheuser-Busch was an investment banking client of Merrill's in the last 12 months.

China is the world's largest beer market by volume and the ninth-largest market in terms of profits, said Marie C. Carroll, vice president of financing and planning for Anheuser's brewery operations. Carroll made the comments last month at a international business outlook conference in St. Louis.

Anheuser-Busch has a 9.9% stake in Tsingtao, China's leading brewer with a 13% market share. Anheuser's stake is expected to rise to 27% over the next several years.

In addition, Anheuser-Busch operates its own brewery in Wuhan, China, where it makes Budweiser.

SABMiller owns a 49% stake in a joint venture with China Resources Enterprise Ltd., which owns China's second-largest brewery.

Just how Anheuser-Busch and SABMiller will co-exist by having stakes in Harbin remains to be seen.

"My guess is not harmoniously," Deutsche Bank analyst Marc Greenberg said. "They're competitors."

The northeast section of China is a large beer market and one that's strategically attractive to Anheuser-Busch and SABMiller, Greenberg said. Both Harbin and Tsingtao have leadership positions in the northeast, he added.

Anheuser-Busch's investment in Harbin and in China isn't likely to be its last, Greenberg said. Anheuser's latest stake is another consolidation move in a fragmented beer market in China, he said.

Greenberg doesn't own shares of Anheuser-Busch or SABMiller. Deutsche Bank owns 1% or more of both brewers. Anheuser-Busch is an investment banking client for Deutsche Bank, but SABMiller isn't.



**2. Too Much Booze for a Third of Us**

Source: *ITV.com*

May 6 2004

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| Too much booze for a third of us There are six different categories of young drinker |
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**More than a third of young people have admitted they drink so much they are unable to do their job properly the next day.**

A further 37% of 18 to 24-year-olds did not know how many units of alcohol they drank in the average week.

The research into the drinking habits of young adults has been published by drinks manufacturer of brand and company Diageo.

Diageo said it commissioned the survey among 16 to 24-year-olds as part of a commitment to promoting responsible drinking.

Diageo, which also produces Baileys liqueur and Johnnie Walker whisky, used the full findings to come up with six different categories of young drinker.

The first group, which it calls The Sporting Heroes, are typically university educated males who now hold down a professional job.

Diageo employed TV psychologist Dr Linda Papadopoulos to come up with advice for each set of drinkers.

For Sporting Heroes, she said: "To pace your drinking through the evening. He shouldn't feel the need to accept a drink every time in a round."

Another category are Sassy Senoritas who started their working career in their late teens and still live close to their families.

The advice from Dr Papadopoulos for these women is: "Have a bite before leaving home.

"She also needs to think more about keeping track of the units of alcohol she's consuming."

Other suggestions are for Aspiring Achievers - female and university educated - to "keep an eye on the top-up in her glass", and for Party People - at the younger end of the 18 to 24-year-old spectrum - to "discover more about units and monitor their intake".

Another group are Career Cadets who Diageo describe as males who have just left university. The advice for them is to "alternate between alcohol and soft drinks".

**3. Special Alcohol Enforcement Project a Success**

By Carlos Correa – *KTVO-TV3*

April 3, 2004

OTTUMWA, IA -- Over the weekend, the Ottumwa Police Department and the Iowa State Patrol joined together to conduct a special alcohol enforcement project to coincide with local prom activities.

The project resulted in a total of 89 arrests, citations and warnings. Among the arrests were 20 individuals, who were all minors in possession of alcohol.

The objective of the project was to increase compliance with OWI, seat belt and other traffic laws, with particular emphasis given to alcohol laws relating to underage drinking.

"I was pleased that our project was successful. I think what needed to be understood is that people that are under age to drink need to remember that if they are going to drink they’re at risk of being arrested for it and they shouldn't be doing that," said Lt. Jim Clark of the Ottumwa Police Department.

The enforcement activity was funded through a grant from the Governor's Traffic Safety Bureau. Officials say additional activities to curb alcohol-related violations will be conducted in the near future.



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| **4. Rum in Showdown With Vodka**By Adam Jones – *Financial Times*May 7, 2004 |
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| Bacardi rum is in danger of being usurped as the world's best-selling premium spirit by Smirnoff vodka. But Javier Ferran, Bacardi chief executive, professes to be neither shaken nor stirred.Advertisement |

The threat to Bacardi's global supremacy was revealed in a league table of spirits brands published earlier this year by Impact, the drinks industry magazine. "Impact claimed that, excluding low-strength spin-offs, Smirnoff's dollar sales should this year overtake those of the Bacardi brand."However, in his first interview since becoming chief executive last year, Mr Ferran said that the global rankings were a "sideshow". He even suggested that losing the top spot could benefit Bacardi by making the rum seem more exclusive: "One of the problems of success in this industry is you can become too ubiquitous."After 12 years of diversification, Bacardi is better able to withstand challenges to its flagship product. Mr Ferran says Bacardi rum in all its forms now accounts for about 40 per cent of sales: "We are a far more diversified company."Yet even with record sales of $3.1bn in its last financial year, Bacardi is still a second-tier distilling multinational facing competition from above and below. Dropping from the clouds is Diageo, the maker of Smirnoff, whose product portfolio dwarfs Bacardi's. Nipping at its ankles are niche distillers. It is a challenge facing medium-sized companies across many industries - how to compete simultaneously with both the gorillas and the guerrillas. Bacardi insists that it is perfectly possible with a careful approach to extracting value, coupled with products that are strong in their own categories.But following a historic shareholder vote in February, Bacardi directors now have the financial flexibility to buy their way out of the middle ground altogether should they choose to do so.Mr Ferran - a Spaniard who speaks five languages - said Bacardi rum should not be underestimated even though competition from other rums has been heating up. In the booming US market, for instance, it enjoyed record volumes in the financial year just closed. "We think the potential for growth is still very large; our focus however is not so much on volume but on value."This means greater emphasis on price increases and products at the more expensive end of the range. Aged rums, for instance, command premium prices. Like single malt whiskies, these appeal to connoisseurs - although tropical heat accelerates ageing, making an eight-year-old sipping Bacardi equivalent to a more venerable single malt.To enhance the image of Bacardi rum in general, the company has been running courses for employees and customers at its distillery in Puerto Rico, including a tutored tasting. The training is being formalised into a "Bacardi University".The Bacardi portfolio has also been extended to include flavoured rums following the successful launch of Bacardi Limón in 1995. Bacardi Breezer - a range of "ready to drink" cocktails that dates back to the 1980s - has been a durable spin-off, even though it is aimed at fashion-conscious younger drinkers.However, these sweet concoctions are waning. Breezer volumes fell 5 per cent in the year ending March 31, 2003. Mr Ferran says there is still a substantial profit opportunity, however, as retailers shun weaker brands and stock only heavyweights such as Breezer.Bacardi's second-biggest brand is Martini vermouth. Consumption has been declining in Martini's European heartland, although there are exceptions. Sales in Italy have revived. Russia has also turned into an encouraging Martini market; "A lot of it is drunk by women as an alternative to vodka," said Mr Ferran. In general, he describes Martini as an upmarket brand that has been "sold too cheaply, with "enormous opportunity" to raise prices and improve profits.One area where Bacardi is weak is vodka. It does not have a dynamic international brand of any scale. Could it buy one? There are some attractive brands still not in the hands of spirits multinationals - Grey Goose, a fast-growing vodka owned by Sydney Frank Importing, is an example - but these would be expensive assets if they were ever put up for sale.The recent decision of Bacardi's controlling shareholders to allow directors to issue shares gives the company more resources if it wants to buy brands or rival companies. But the company stresses that it is not necessarily going to do a big deal. The same goes for an initial public offering of shares, which could also be a prelude to consolidation.Ruben Rodriguez, Bacardi's chairman and Mr Fer ran's predecessor as chief executive, is dismissive of the argument that the scale advantage now enjoyed in the US by Diageo, the world's biggest distiller, demands some sort of response.Nimble marketers with must-stock brands can still hold their own, he told the FT in a separate interview. In his opinion, Brown-Forman, the maker of Jack Daniel's whiskey, was probably the most successful publicly-listed distiller in spite of being relatively small.That said, Mr Rodriguez has made it clear that the Bacardi sales and distribution machine could happily take on new brands if the price is right. He seemed less keen on the idea of buying an entire company, partly because of the obscure "tail" brands most distillers accumulate over the years."When you are talking of acquiring a company, no company comes in pure and clean - there is always a tail, there are disposal problems, there are logistics problems. We went through that with the integration of Martini & Rossi," Mr Rodriguez said. But big mergers bring attractive cost savings too and companies with large portfolios of products have an extra weapon in negotiations with retailers and distributors.Bacardi-watchers will continue to speculate on possible deal combinations involving the privately-held company. Allied Domecq, the maker of Ballantine's whisky and the US distributor of Stolichnaya vodka, is seen by some as one possible partner; an alternative view is that Allied has too many minor brands to attract the tail-phobic Bacardis.Ironically, Allied-Lyons, a forerunner of Allied Domecq, owned a chunk of a US Bacardi subsidiary that used to be publicly listed. That business was taken private in 1992 after a battle with some family shareholders.The most probable venue for an IPO of Bacardi under Mr Ferran and Mr Rodriguez would be the New York Stock Exchange. Much depends on the strength of the next annual results, due in June. The last annual results showed a 14 per cent fall in pre-tax profits to $463m.With the appointment of outside directors and other corporate governance tweaks, Mr Rodriguez has certainly made the company more friendly to outside capital. But a two-tier share structure would leave new investors with nothing like the voting power enjoyed by family shareholders. They could need further reassurance that minority owners would not be trampled.Bacardi would also need to be sure that it is ready to expose itself once more to the maelstrom of gossip and speculation endured by publicly-listed companies. This is a big step for any private enterprise accustomed to selective engagement with the outside world, requiring them to exhibit a thick skin as the masses pore over their inner workings.Bacardi's skin may not be the thickest. But the astonishing way that it has thrived in exile and overcome the confiscation of its Cuban assets in 1960 by Fidel Castro's regime shows an ability to adapt to the most extreme changes. "Losing your home country, your home base, losing practically 90 per cent of your assets has had an enormous impact on culture," said Mr Ferran. Who is to say that it cannot adapt again?THE CUBAN EXILE THAT WILL ALWAYS CARRY THE TASTE OF CUBA "It is not an obsession, it is a desire." That is how Pepin Argamasilla, one of the 39 Bacardi family members working in the distilling multinational, describes Cuba, a place he has never visited. But Bacardi's relationship with its homeland is often shown in a harsher light that focuses on anti-Castro laws passed in the US to the benefit of the company, and, most recently, on the role a deceased former executive once played in Cuban exile politics. Ruben Rodriguez, Bacardi chairman, says Cuba does not get in the way of the running of the business. "We don't encourage politics from the right or the left . . what people do individually I don't know and really it is no concern of ours." Fidel Castro's dictatorship takes centre stage in the long-running legal dispute over the right of Pernod Ricard, the French spirits multinational that has a joint venture with the Cuban government, to use the Havana Club rum trademark. Mr Rodriguez scorns the notion that Bacardi is not entitled to allude to its Cuban roots when marketing rum even though it cannot produce there any more: "It is a historical fact that this company was established in Santiago de Cuba in 1862." And post-Castro? "Every American company I think looks at Cuba as a potential opportunity and I think we would look at it the same way," says Mr Rodriguez. "Would it be a huge transformation in this company? Personally I don't think so. Would it be an opportunity? Yeah." Mr Rodriguez then asks a rhetorical question: whether Bacardi would do well, "maybe better than others", if Cuba was opened up as a market. "Well, I think you would be pretty stupid if you didn't say yeah." |



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| **5. The Absolut Spirits Company Launches New DANZKA Cranberyraz Flavored Vodka**Press Release: The Absolute Spirits Company May 6, 2004 |
| ***Blend of Raspberry and Cranberry Flavor Hits Shelves in June; Signature Metal Bottle Chills Vodka Faster***The Absolut Spirits Company, Inc. announced today the launch of DANZKA® Cranberyraz Vodka, the first flavored vodka in the world to combine the naturally sweet flavor of wild raspberry with a hint of slightly tart cranberry. DANZKA Cranberyraz Vodka joins the brand's other unique flavors of citrus and grapefruit, all offered in a signature metal bottle that is made to chill vodka at optimal temperatures. According to an evaluation conducted by an independent research institute, DANZKA's aluminum bottle chills 50 minutes faster than vodka in glass packaging and will retain cold 50 minutes longer\*. DANZKA is the only vodka in the world offered in aluminum packaging, and available nationally in grapefruit and now the new Cranberyraz flavor. "The flavored vodka segment continues to grow and the addition of Cranberyraz to DANZKA's portfolio helps to further differentiate our brand in the marketplace," said Carl Horton, president and chief executive officer, The Absolut Spirits Company, Inc. "DANZKA's unique Cranberyraz and Grapefruit flavors combined with innovative packaging that helps keep vodka cold is well-positioned for summer entertaining."DANZKA Cranberyraz will be available at off-premise accounts starting in June. In the U.S., DANZKA is available in three sizes: 50 ml, 750 ml and 1 liter. The retail price for DANZKA is $15-$17 for a 750ml.DANZKA Cranberyraz will be supported nationally with print advertising, off-premise POS and public relations. The print advertising depicts the extreme lengths people will take to chill their DANZKA Vodka, and is scheduled to run in national magazines including Men's Health, Maxim, FHM, Jane and Cosmopolitan. |
| **6. HPNOTIQ Launches National Consumer Advertising Campaign** Press Release: Heaven Hill Distilleries, Inc.May 7, 2004 |
| **New campaign to target upscale consumer with “It’s Hpnotiq.”** BARDSTOWN, KY -- Hpnotiq is redefining style and substance with the new “It’s Hpnotiq.” ad campaign. Already the hottest new product in the distilled spirits business, Hpnotiq will reach a new level with the introduction of a national advertising campaign in May.“The remarkable introduction and success of Hpnotiq is the result of an extraordinary product and package, combined with a multi-faceted grassroots marketing effort nationwide, that has laid the foundation for this new strategic initiative,” said Justin Ames, senior marketing manager for Hpnotiq, a product of Heaven Hill Distilleries, Inc. “The move to the next level for Hpnotiq will build on the established foundation of success. As the brand’s popularity continues to build, the unique ad campaign will mark the beginning of a focused effort to broaden the exposure of the brand at both retail and on-premise.”The new advertising campaign employs stylish and arresting optical art that leaps from the page with extraordinary three dimensional designs. The optical illusions are rendered in HPNOTIQ aqua blue against a white background with the “IT’S HPNOTIQ.” Tagline and stylish blue bottle below.The new campaign will initially appear in June issues of Architectural Digest, W Magazine, and Variety V Life and will be expanded with placements in Vanity Fair, Wine Spectator, and Wine Enthusiast. Additionally, the brand is using regional placements in major metropolitan society publications such as Gotham, LA Confidential, Ski Magazine, Hampton Style, and Ocean Drive. The ad will also be featured in urban publications Vibe, King and Essence.“The minimalist style of the campaign combines the elegance and sophistication that are characteristic of HPNOTIQ consumers and the upscale image of the product,” said Ames. “These qualities define the HPNOTIQ lifestyle. We are confident this ad campaign is an extension of those characteristics. Our extensive testing and research has certainly supported that assertion.” |

